

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1960

No. 219

CARL SCHNELL, ET AL., PETITIONERS,

vs.

PETER ECKRICH & SONS, INC., ET AL.

IN WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

PETITION FOR CERTIORARI FILED JULY 7, 1960

CERTIORARI GRANTED OCTOBER 10, 1960

SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1960

No. 219

CARL SCHNELL, ET AL., PETITIONERS,
vs.

PETER ECKRICH & SONS, INC., ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS
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INDEX

Proceedings in the United States Court of Appeals
for the Seventh Circuit

Appendices to brief of appellants consisting of record from the United States District Court for the Northern District of Indiana, Fort Wayne Division (Excerpts from)

Findings of fact and conclusion of law in Appeal No. 12,901

Order from which the appeal is taken

Order of Court of Appeals granting leave to appeal

Findings of fact and conclusion of law in Appeal No. 12,902

Order from which the appeal is taken

Order of Court of Appeals granting leave to appeal

Opinion, Castle, J.

Dissenting opinion, Platt, J.

Judgments

Clerk's certificate (omitted in printing)

Order allowing certiorari

Original Print

1 1

1 1

5 4

6 5

7 6

11 9

12 10

13 11

17 15

22 20

24 21

25 22

[fol. 1]

Appendix I**APPEAL No. 12,901****IN UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF INDIANA,
FORT WAYNE DIVISION**

CARL SCHNELL and THE GRIFFITH LABORATORIES, INC.,
an Illinois corporation, Plaintiffs-Appellants,

vs.

PETER ECKRICH & SONS, INC., an Indiana corporation, and
THE ALLBRIGHT-NELL COMPANY, an Illinois corporation,
Defendants-Appellees.

Findings of Fact and Conclusion of Law—January 22, 1960

This cause having been considered by this Court upon the motion of defendant, The Allbright-Nell Company, to quash service of summons and to dismiss the suit for lack of venue, and the Court having considered the arguments of the parties, including briefs, an exhibit, pleadings of Civil Action No. 1128, before this Court, and an affidavit of Mr. Norman J. Allbright, finds the facts and states the conclusion of law as follows:

FINDINGS OF FACT

1. This is a patent infringement suit based upon U. S. Letters Patent No. 2,906,310. Plaintiffs are of record as being joint owners of the patent. Plaintiff, Schnell, is a citizen and resident of Germany. Plaintiff, The Griffith Laboratories, Inc., is an Illinois corporation with its principal office and place of business in the City of Chicago, Illinois.

2. Defendant, Peter Eckrich & Sons, Inc., is an Indiana corporation, having its principal office and place of business in the City of Fort Wayne, Indiana.

3. Defendant, The Allbright-Nell Company, is an Illinois corporation, having its principal office and place of business in the City of Chicago.

4. The defense of this case has been openly assumed by said Allbright-Nell Company, which concedes that it was and is defending this suit for defendant, Peter Eckrich & Sons, Inc., and has assumed full control of the defense thereof. This defense is pursuant to a contract dated [fol. 2] March 6, 1959, the pertinent provision of which is as follows:

"3. The Allbright-Nell Co. agrees solely at its expense to defend or settle any suit or proceeding brought against Peter Eckrich and Sons, Inc. based on a claim (of which claim prompt and timely written notice shall have been given to The Allbright-Nell Co.) that the ANCO Emulsitators supplied by The Allbright-Nell Co., or the use thereof in accordance with specifications of The Allbright-Nell Co., constitutes an infringement of any United States patent, and The Allbright-Nell Co. agrees to indemnify Peter Eckrich and Sons, Inc. for any expenses directly arising from any such claim, provided that Peter Eckrich and Sons, Inc. shall not undertake to defend any such suit or proceeding nor to effect any settlement or compromise thereof without the prior express written consent of The Allbright-Nell Co.; and should the ANCO Emulsitator or its use as specified by The Allbright-Nell Co. be adjudicated to constitute an infringement of any United States patent, The Allbright-Nell Co. further agrees to pay all court awarded damages and costs, and solely at the expense of The Allbright-Nell Co. either to procure for Peter Eckrich and Sons, Inc. the right to continue to use ANCO Emulsitators in accordance with the terms specified above, or to replace the ANCO Emulsitators with non-infringing apparatus, or to modify the ANCO Emulsitators so they become non-infringing, or to remove the ANCO Emulsitators from the premises of Peter Eckrich and Sons, Inc."

5. The Allbright-Nell Company has never maintained and does not now maintain a regular and established place of business in the Northern District of Indiana.
6. The Allbright-Nell Company does not own or possess any real estate or office space or manufacturing plant in [fol. 3] the Northern District of Indiana and has no employee permanently working in the Northern District of Indiana.
7. The Allbright-Nell Company is not licensed to do business in Indiana.
8. The Allbright-Nell Company is the manufacturer of some of the devices alleged to infringe the patent in suit, and the defendant, Peter Eckrich & Sons, Inc., is a user of such devices as it acquired from The Allbright-Nell Company.
9. Defendant, Peter Eckrich & Sons, Inc., has been duly served and has filed its appearance and answer in this action. Defendant, The Allbright-Nell Company, has not been served in Indiana, and has not answered or otherwise appeared in this action.
10. On October 19, 1959, an attempt to make service on The Allbright-Nell Company was made by delivering summons to its president in Chicago, Illinois.
11. The Allbright-Nell Company promptly moved to quash such purported service of summons on the ground that service was made outside the jurisdiction of this Court and moved to dismiss it from this action on the ground that it was not subject to suit in this District.
12. The Allbright-Nell Company has not submitted to the jurisdiction of this Court and has not waived any objections to improper service of summons and lack of venue, unless such submission or waiver results as a matter of law from its assumption of the defense of Peter Eckrich & Sons, Inc., in this action.

[fol. 4]

CONCLUSION OF LAW

1. The assumption of the defense of Peter Eckrich & Sons, Inc., by The Allbright-Nell Company does not as

4
a matter of law constitute a submission to this Court's jurisdiction or a waiver of any objections to improper service of summons and lack of venue by The Allbright-Nell Company.

Dated this 22nd day of January, 1960.

Robert A. Grant, Judge.

[fol. 5]

IN UNITED STATES DISTRICT COURT

ORDER FROM WHICH THE APPEAL IS TAKEN

January 22, 1960

Order

This cause having been considered by this Court upon the motion of defendant, The Allbright-Nell Company, to quash service of summons and to dismiss the suit for lack of venue, and the Court having considered the arguments of the parties, including briefs, an exhibit, pleadings of Civil Action 1128, before this Court, and an affidavit of Mr. Norman J. Allbright, and having entered Findings of Fact and Conclusion of Law, It Is Hereby Ordered That:

- a) Motion of defendant, The Allbright-Nell Company to Quash Service of Summons is granted. Service of summons on defendant, The Allbright-Nell Company is quashed.
- b) Motion of defendant, The Allbright-Nell Company to Dismiss for Lack of Venue is granted.
- c) Cause ordered dismissed as to defendant, The Allbright-Nell Company. 28 U. S. C. A., Section 1400(b).
- d) This order, insofar as it relates to The Allbright-Nell Company, involves a controlling question of law as to which there is substantial ground for a difference of opinion and an immediate appeal from the order may materially advance the ultimate termination of the litigation. See 28, U. S. C. A., Section 1292(b).

Robert A. Grant, Judge.

Enter: January 22, 1960.

[fol. 6]

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Before: Hon. John S. Hastings, Chief Judge; Hon. F. E. Ryan Duffy, Circuit Judge; Hon. Win. G. Knoch, Circuit Judge.

CARL SCHNELL and THE GRIFFITH LABORATORIES, Inc.,
an Illinois corporation, Plaintiffs-Appellants,

No. 12901 vs.

PETER ECKRICH & SONS, Inc., an Indiana corporation, and
THE ALLBRIGHT-NELL COMPANY, an Illinois corporation,
Defendants-Appellees.

Appeal from the United States District Court for the
Northern District of Indiana, Fort Wayne Division.

ORDER OF UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT GRANTING PLAINTIFFS' PETITION FOR LEAVE TO APPEAL—February 2, 1960

Plaintiffs having petitioned for leave to appeal in a cause pending in the United States District Court for the Northern District of Indiana, Fort Wayne Division, No. 1184, and the District Court having certified that the order which is at issue, involves a controlling question of law as to which there is substantial ground for a difference of opinion, and an immediate appeal from said order may materially advance the ultimate determination of the litigation; and on consideration of said petition and the objection filed thereto, and the briefs filed,

It Is Ordered, the petition of plaintiffs herein to appeal pursuant to Title 28, U. S. Code, § 1292(b), be and the same is hereby granted.

[fol. 7].

Appendix No. II**APPEAL NO. 12,902**

IN UNITED STATES DISTRICT COURT
 FOR THE NORTHERN DISTRICT OF INDIANA
 FORT WAYNE DIVISION

CARL SCHNELL and THE GRIFFITH LABORATORIES, INC.,
 an Illinois corporation, Plaintiffs-Appellants,

vs.

PETER ECKRICH & SONS, INC., an Indiana corporation, and
 THE ALLBRIGHT-NELL COMPANY, an Illinois corporation,
 Defendants-Appellees.

Findings of Fact and Conclusion of Law—January 22, 1960

This cause having come on to be heard upon the motion of defendant, The Allbright-Nell Company, to quash service of summons and to dismiss the suit for lack of venue, and upon the motion of the plaintiffs for default judgment against The Allbright-Nell Company, and the Court having heard and considered the arguments of the parties, including exhibits, depositions and an affidavit of Mr. Norman J. Allbright, finds the facts and states the conclusion of law as follows:

FINDINGS OF FACT

1. This is a patent infringement suit based upon U. S. Letters Patents 2,840,318 and 2,842,177. Plaintiffs are of record as being joint owners of said patents. Plaintiff, Schnell, is a citizen and resident of Germany. Plaintiff, The Griffith Laboratories, Inc., is an Illinois corporation with its principal office and place of business in the City of Chicago, Illinois.
2. Defendant, Peter Eckrich & Sons, Inc., is an Indiana corporation, having its principal office and place of business in the City of Fort Wayne, Indiana.
3. Defendant, The Allbright-Nell Company, is an Illinois corporation, having its principal office and place of business in the City of Chicago.
4. The defense of this case has been openly assumed by said Allbright-Nell Company, which concedes that it was and is defending this suit for defendant, Peter Eckrich &

Sons, Inc., and has assumed full control of the defense [fol. 8] thereof. This defense is pursuant to a contract dated March 6, 1959, the pertinent provision of which is as follows:

"3. The Allbright-Nell Co. agrees solely at its expense to defend or settle any suit or proceeding brought against Peter Eckrich and Sons, Inc. based on a claim (of which claim prompt and timely written notice shall have been given to The Allbright-Nell Co.) that the ANCO Emulsitators supplied by The Allbright-Nell Co., or the use thereof in accordance with specifications of The Allbright-Nell Co. constitutes an infringement of any United States patent, and The Allbright-Nell Co. agrees to indemnify Peter Eckrich and Sons, Inc. for any expenses directly arising from any such claim, provided that Peter Eckrich and Sons, Inc. shall not undertake to defend any such suit or proceeding nor to effect any settlement or compromise thereof without the prior express written consent of The Allbright-Nell Co.; and should the ANCO Emulsitator or its use as specified by The Allbright-Nell Co. be adjudicated to constitute an infringement of any United States patent, The Allbright-Nell Co. further agrees to pay all court awarded damages and costs, and solely at the expense of The Allbright-Nell Co. either to procure for Peter Eckrich and Sons, Inc. the right to continue to use ANCO Emulsitators in accordance with the terms specified above, or to replace the ANCO Emulsitators with non-infringing apparatus, or to modify the ANCO Emulsitators so they become non-infringing, or to remove the ANCO Emulsitators from the premises of Peter Eckrich and Sons, Inc."

5. The Allbright-Nell Company has never maintained and does not now maintain a regular and established place of business in the Northern District of Indiana.

6. The Allbright-Nell Company does not own or possess any real estate or office space or manufacturing plant in the Northern District of Indiana and has no employee [fol. 9] permanently working in the Northern District of Indiana.

7. The Allbright-Nell Company is not licensed to do business in Indiana.

8. The Allbright-Nell Company is the manufacturer of some of the devices alleged to infringe the patents in suit, and the defendant, Peter Eckrich & Sons, Inc., is a user of such devices as it acquired from The Allbright-Nell Company.

9. Defendant, Peter Eckrich & Sons, Inc., has been duly served and has filed its appearance and answer in this action. Defendant, The Allbright-Nell Company, has not been served in Indiana, and has not answered or otherwise appeared in this action.

10. On or about June 15, 1959, plaintiffs moved for a default judgment against The Allbright-Nell Company for failure to file an answer to plaintiffs' amended complaint which identifies The Allbright-Nell Company as a defendant in this suit, the basis of the motion being that The Allbright-Nell Company submitted to the jurisdiction of this Court by reason of its open control of the defense for Peter Eckrich & Sons, Inc.

11. On July 10, 1959, an attempt to make service on The Allbright-Nell Company was made by delivering summons to its president in Chicago, Illinois.

12. The Allbright-Nell Company promptly moved to quash such purported service of summons on the ground that service was made outside the jurisdiction of this Court, and moved to dismiss it from this action on the ground that it was not subject to suit in this District.

13. The Allbright-Nell Company has not submitted to the jurisdiction of this Court and has not waived any objections to improper service of summons and lack of venue, unless such submission or waiver results as a matter of law from its assumption of the defense of Peter Eckrich & Sons, Inc., in this action.

[fol. 10] CONCLUSION OF LAW

1. The assumption of the defense of Peter Eckrich & Sons, Inc., by The Allbright-Nell Company does not as a

matter of law constitute a submission to this Court's jurisdiction or a waiver of any objection to improper service of summons and lack of venue by The Allbright-Nell Company.

Dated this 22nd day of January, 1960.

Robert A. Grant, Judge.

[fol. 11]

IN UNITED STATES DISTRICT COURT

ORDER FROM WHICH THE APPEAL IS TAKEN—
January 22, 1960

Order

This cause having come on to be heard upon the motion of defendant, The Allbright-Nell Company, to quash service of summons and to dismiss the suit for lack of venue, and upon the motion of the plaintiffs for default judgment against The Allbright-Nell Company, and the Court having heard and considered the arguments of the parties, including briefs, exhibits, depositions and an affidavit of Mr. Norman J. Allbright, and having entered Findings of Fact and Conclusion of Law, It Is Hereby Ordered That:

- a) Plaintiffs' Motion for Default Judgment against defendant, The Allbright-Nell Company, is denied.
- b) Motion of defendant, The Allbright-Nell Company, to Quash Service of Summons is granted. Service of summons on defendant, The Allbright-Nell Company, is quashed.
- c) Motion of defendant, The Allbright-Nell Company, to Dismiss for Lack of Venue is granted.
- d) Cause ordered dismissed as to defendant, The Allbright-Nell Company. 28 U. S. C. A., Section 1400(b).
- e) This order, insofar as it relates to The Allbright-Nell Company, involves a controlling question of law as to which there is substantial ground for a difference of opinion and an immediate appeal from the order may mate-

rially advance the ultimate termination of the litigation. See 28 U. S. C. A., Section 1292(b).

Robert A. Grant, Judge.

Enter: January 22, 1960.

[fol. 12]

IN UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Before: Hon. John S. Hastings, Chief Judge; Hon. F. Ryan Duffy, Circuit Judge; Hon. Win G. Knoch, Circuit Judge.

CARL SCHNELL and THE GRIFFITH LABORATORIES, INC.,
an Illinois corporation, Plaintiffs-Appellants;

No. 12902 vs.

PETER ECKRICH & SONS, INC., an Indiana corporation, and
THE ALLBRIGHT-NELL COMPANY, an Illinois corporation,
Defendants-Appellees.

Appeal from the United States District Court for the
Northern District of Indiana, Fort Wayne Division.

ORDER OF UNITED STATES COURT OF APPEALS FOR THE SEVENTH
CIRCUIT GRANTING PLAINTIFFS' PETITION FOR LEAVE TO
APPEAL—February 2, 1960

Plaintiffs having petitioned for leave to appeal in a case pending in the United States District Court for the Northern District of Indiana, Fort Wayne Division, No. 1128, and the District Court having certified that the order which is at issue, involves a controlling question of law as to which there is substantial ground for a difference of opinion, and an immediate appeal from said order may materially advance the ultimate determination of the litigation; and on consideration of said petition and the objection filed thereto, and the briefs filed,

It Is Ordered, the petition of plaintiffs herein to appeal pursuant to Title 28, U. S. Code, § 1292(b), be and the same is hereby granted.

[fol. 13]

IN UNITED STATES COURT OF APPEALS

FOR THE SEVENTH CIRCUIT

September Term, 1959—April Session, 1960

Nos. 12901-12902

CARL SCHNELL and THE GRIFFITH LABORATORIES, INC.,
an Illinois corporation, Plaintiffs-Appellants,

v.

PETER ECKRICH & SONS, INC., an Indiana corporation, and
THE ALLBRIGHT-NELL COMPANY, an Illinois corporation,
Defendants-Appellees.

Appeals from the United States District Court for the
Northern District of Indiana, Fort Wayne Division.

OPINION—June 20, 1960

Before Schenckenberg and Castle, Circuit Judges, and
Platt, District Judge.

Castle, Circuit Judge. These appeals are in two actions brought in the District Court for the Northern District of Indiana by Carl Schnell and The Griffith Laboratories, Inc., plaintiffs-appellants¹ for the infringement of certain patents. The first case involved two patents and was originally brought only against defendant-appellee, Peter Eckrich & Sons, Inc.² Defendant-appellee, Allbright-Nell Company,³ was joined as a defendant by an amended complaint.

¹ Herein referred to as plaintiffs.

² Herein referred to as Eckrich.

³ Herein referred to as Allbright-Nell.

The second suit involved a third patent and from its commencement both Eckrich and Allbright-Nell were named as defendants.

[fol. 14] The District Court granted the motion of Allbright-Nell, filed in each case, to quash a summons served on it in Illinois and to dismiss it from the action on the ground that it was not subject to suit in the Northern District of Indiana. Allbright-Nell was dismissed and we granted petitions of plaintiffs to appeal pursuant to '28 U.S.C.A. § 1292 (b), the District Court having certified in each case that the order at issue involves a controlling question of law as to which there is substantial grounds for difference of opinion, and an immediate appeal may materially advance the ultimate determination of the litigation.

The sole contested issue is whether as a matter of law Allbright-Nell, a named defendant, by its open assumption and control of the defense of Eckrich submitted to the jurisdiction of the District Court?

None of the facts is in dispute. Allbright-Nell is the manufacturer of the accused devices. Eckrich is its customer. By contract Allbright-Nell is obligated to indemnify Eckrich and to defend it in any suit based on a claim that the accused devices or their use in accordance with Allbright-Nell's specifications constitute an infringement of any U. S. patent. It is conceded for the purpose of the record that Allbright-Nell does not have a place of business in Indiana. No claim to jurisdiction is based on the service made in Illinois, which was quashed.

The sole basis asserted as conferring jurisdiction over Allbright-Nell is that by controlling the defense it was in fact protecting its own interests as well as those of Eckrich and that such action constituted a general appearance submitting to the jurisdiction of the District Court. It is not disputed that Allbright-Nell was and is defending the two actions for Eckrich and has assumed full control of the defense.

In our opinion the decision of this Court in *Freeman-Sweet Co. v. Luminous Unit Co.*, 7 Cir., 264 Fed. 107 is controlling in the instant case. It was there held that a manufacturer who assumed control of the defense of a

patent infringement suit brought against one of its customers in a jurisdiction of which the manufacturer was not an inhabitant could not, over its objection, be made a party defendant. This Court there said (pp. 109, 110):

[fol. 15] "At the trial, counsel of record for the sole defendant Freeman-Sweet Company, stated, in answer to an inquiry, that he had been employed and was compensated by the appellant, the Reflectolyte Company to defend this suit brought against its vendee; he conceded that it was privy to the case and that the decision to be rendered would be *res adjudicata* as to it as well as to the Freeman-Sweet Company, on the questions of validity and infringement but he objected to having his employer appellant the Reflectolyte Company, made a party defendant to this suit, claiming for it the privilege of not being sued in a jurisdiction of which it was not an inhabitant and in which it had no regular and established place of business. Specifically counsel urged that damages claimed for unfair competition could not be adjudicated against it, a citizen of the same state as plaintiff. Thereupon plaintiff specifically disclaimed any recovery against either appellant on this ground, limiting the suit to injunction, damages, and accounting of profit for infringement.

But counsel did not thereupon consent to the jurisdiction of the court over this appellant; his objection to its being made a party defendant, as distinguished from a privy remained and the objection, in our judgment, was valid. Without its consent, the court was powerless to compel this appellant to submit to an accounting in Illinois, for all infringements committed in the course of its business in Missouri. While as privy it was bound by the decision as to validity and infringement, it had the right to insist that it be not held to account in Illinois as decreed by the Court."

The opinion of the district court in *Esquire, Inc. v. Varga Enterprises, Inc.*, 81 F. Supp. 306, aff'd, 7 Cir., 185 F. 2d 14, cited by plaintiffs, does not set forth the facts

nor the legal principle upon which Vargas' submission to jurisdiction was predicated but merely asserts (p. 307) that "The evidence appears to be sufficiently clear that he has submitted to the jurisdiction of the Court * * *".

In *The University of Illinois Foundation v. Block Drug Co.*, 133 F. Supp. 580, aff'd, 7 Cir., 241 F.2d 6, also cited by plaintiffs, it is not shown that an objection to jurisdiction was made. In neither case was the point considered on appeal in this Court. We do not regard these cases as adjudicating the point here in issue.

[fol. 16]. In *Ocean Accident & Guarantee Corp. v. Felgemaker*, 6 Cir., 143 F.2d 950, relied upon by plaintiffs, the service was quashed because the district court had "no jurisdiction to issue process in this case beyond the limits of the district". Although the court assumed jurisdiction on the ground of "control of the defense" it does not appear a specific objection was interposed that the venue was inappropriate and the insurance carrier not subject to suit therein. In the instant case such an objection was timely made by Allbright-Nell's motion for dismissal on the ground that it was not subject to suit in the district. Nor is Allbright-Nell by its contract liable to plaintiffs by virtue of any judgment they may recover from Eckrich as was the case under the insurance contract involved in *Ocean Accident*. And in *Ocean Accident* the effect of the privy's conduct as authorizing entry of judgment against it was not determined until, as a past and completed occurrence, it was subject to judicial appraisal in the light of all factors involved. In the instant case we are impertuned to accept a contractual obligation to defend and mere entrance thereupon as conclusive not only of one's ultimately being bound by the judgment entered but also of being, in the interim, subject to all of the incidents of being a formal party to the action.

If, as plaintiffs contend, *Ocean-Accident* appears to chart such a course we are not disposed to follow it. Under our holding in the *Freeman-Sweet Co.* case recognition of a contractual obligation to defend does not have an irrevocable effect which fails to consider or protect against changes which may occur in the course of the litigation between the privy and the defendant, such as

possible termination of the defense agreement by consent, its renunciation by the defendant or its breach by defendant's failure to cooperate.

In our view statutory requirements of venue should not be nullified or dispensed with by an extension of the doctrine by which a person may in some situations become bound by a judgment although not a formal party to the action subject to the jurisdiction of the court which entered it.

The orders of the District Court are affirmed.

Affirmed.

[fol. 17] PLATT, D.J., dissenting. In my opinion Allbright-Nell Company has entered its general appearance in these cases and waived venue as required by §1400, Title 28 U.S.C.A.

The majority opinion is based primarily upon *Freeman-Sweet Co. v. Luminous Unit Co.*, 7 Cir., 1920, 264 Fed. 107, cert. denied 253 U.S. 486, 64 L. Ed. 1025, which presents a different situation than presented here. The district court in the instant case made the following finding of fact:

"The defense of this case has been openly assumed by said Allbright-Nell Company, which concedes that it was and is defending this suit for defendant, Peter Eckrich & Sons, Inc., and has assumed full control of the defense thereof. This defense is pursuant to a contract dated March 6, 1959, the pertinent provision of which is as follows:

"3. The Allbright-Nell Co. agrees solely at its expense to defend or settle any suit or proceeding brought against Peter Eckrich and Sons, Inc. based on a claim (of which claim prompt and timely written notice shall have been given to The Allbright-Nell Co.) that the ANCO Emulsitators supplied by The Allbright-Nell Co., or the use thereof in accordance with specifications of The Allbright-Nell Co., constitutes an infringement of any United States patent, and The Allbright-Nell Co. agrees to indemnify Peter Eckrich

and Sons, Inc. for any expenses directly arising from any such claim, provided that Peter Eckrich and Sons, Inc. shall not undertake to defend any such suit or proceeding nor to effect any settlement or compromise thereof without the prior express written consent of The Allbright-Nell Co.; and should the ANCO Emulsitator or its use as specified by The Allbright-Nell Co. be adjudicated to constitute an infringement of any United States patent, The Allbright-Nell Co. further agrees to pay all court awarded damages and costs, and solely at the expense of The Allbright-Nell Co...."

Thus, Allbright-Nell, the manufacturer, not alone employed counsel and was obligated to pay attorney's fee but it assumed full control of the defense, and by the contract was required to pay the judgment and costs against [fol. 18] Eckrich, and Eckrich could not compromise the action. In *Freeman-Sweet*, the Reflectolyte, the manufacturer, was not a defendant in the original suit where the validity and infringement was determined, but only in a subsequent suit for "injunction, damages, and accounting." Allbright-Nell is named defendant in this suit, the original action, where all issues will be determined; and is the real party in interest with the right to make the defense in any manner it deides, take or defend an appeal, without any interference from Eckrich.

In *Ocean Accident & Guarantee Corp. v. Felgemaker*, 6 Cir., 1944, 143 F. 2d 950, which the majority opinion refuses to follow, Inter Insurance Exchange was not a party to the original action against its insured where judgment was obtained, but it controlled the defense of that suit. After judgment was obtained a supplemental action was brought against Inter Insurance Exchange to collect the judgment against its insured. Inter Insurance Exchange made a motion to quash the service of summons as soon as it was made a party defendant to the supplemental action to collect judgment because it was an inhabitant of Illinois and the suit was brought in Ohio. *Felgemaker v. Ocean Accident & Guarantee Corporation*, D.C.N.D. Ohio E.D., 1942, 47 F. Supp. 660, 661, affirmed as to Inter In-

surance Exchange in 143 F. 2d 950, 952. The service of process on the defendant, Inter Insurance Exchange, was quashed but the court assumed jurisdiction of Inter Insurance Exchange and entered judgment against it. Inter Insurance Exchange was not a proper party to the original proceeding where judgment was obtained against its insured. *Felgemaker v. Ocean Accident & Guarantee Corporation, supra*. Allbright-Nell is a proper party to the original action in the instant case. In *Ocean Accident & Guarantee Corporation v. Felgemaker, supra*, the court held "that Inter Insurance had made a general appearance in the suits by actively defending the cases through its attorneys...." The court said at page 952:

"Concededly Inter Insurance took every action in the case which it could have taken if it had itself been the defendant, and in fact it exercised absolute and complete control over the proceedings. It had the right to cross-examine, to present testimony, and if it desired, to appeal. It also had a substantial interest [fol. 19] in the controversy. . . . Under its agreement, after rendition of the final judgment . . . it was liable to the insured. Therefore when Inter Insurance conducted the defense, it was defending itself."

Allbright-Nell will also control the defense here and is possessed of these same rights and by its contract will be compelled to pay any judgment and costs, if any against Eckrich. In addition thereto if Allbright-Nell is permitted to be the real party in interest it may take full advantage of Deposition and Discovery as provided in Ch. V, Fed. Rules Civ. Proc., but not being a defendant it is questionable what it will be required to disclose. *Frasier v. Twenty-sixth Century Fox Film Corp.*, D.C.D. Neb. L.D., 1954, 119 F. Supp. 495; *Neward v. Abeel*, D.C.S.D.N.Y., 1952, 106 F. Supp. 758; *Quemos Theatre Co. v. Warner Bros. Pictures*, D.C.D.N.J., 1940, 35 F. Supp. 949; *Canuso v. City of Niagara Falls*, D.C.W.D.N.Y., 1945, 7 F.R.D. 162; *Stewart-Warner Corporation v. Staley*, D.C.W.D. Penna., 1945, 4 F.R.D. 333; *Isrel v. Shapiro*, D.C.S.D.N.Y., 1942, 3 F.R.D. 175.

The only difference between the instant case and the *Ocean Accident* case is that judgment has not yet been obtained and may not be against Eckrich, whereas it had already been entered against the Inter Insurance Exchange's insured. Since Allbright-Nell controls the defense and is bound by an indemnity contract, the principles of *res judicata* will be applicable to the judgment whether it is a party defendant or not. *Switzer Brothers, Inc. v. Chicago Cardboard Co.*, 7 Cir., 1958, 252 F. 2d 407, 412. *In Bros, Incorporated v. W. E. Grace Manufacturing Co.*, 5 Cir., 1958, 261 F. 2d 428, the court said at page 430:

"While the mere payment of counsel fees or participation in a trial by one not a named party to it would not alone be sufficient, cf. *I.T.S. Rubber Co. v. Essex Rubber Co.*, 1926, 272 U.S. 429, 47 S. Ct. 136, 71 L. Ed. 335, Restatement, Judgments §84, comment e (1942), the extent and nature of that participation may completely alter the consequences. . . . The alternative, of course, is to jump in and give the case full and active defense as though the manufacturer were the real named party. . . .

"Where that course is followed and the non-party actively and avowedly conducts the defense, manages [fol. 20] and directs the progress of the trial at its expense and under its supervision, the outcome, which if favorable would have redounded to his benefit, if adverse becomes sauce for goose and gander alike, and binding under principles of *res judicata*."

A manufacturer under similar circumstances has been restrained where the decree was entered against the dealer in a patent suit. *Redman v. Stedman Manufacturing Company*, M.D.N.C.G.D., 1960, 181 F. Supp. 5; *Eagle Manufg Co. v. Miller*, C.C.S.D. Iowa E.D., 1890, 41 Fed. 351, reversed on other ground 154 U.S. 186. There is no reason why the principle set forth in the *Ocean-Accident* case should not be applied in the instant patent case. See *Metalloc Repair Service, Inc. v. Harmon*, 6 Cir., 1958, 258 F. 2d 809.

The "venue statute relates to the convenience of the litigants and as such is subject to their disposition." *Riley*

v. *Union Pac. R. Co.*, 7 Cir., 1949, 177 F. 2d 673. The objections to venue "may be lost by failure to assert it seasonably, by formal submission in a cause, or by submission through conduct." *Neirbo Co. v. Bethlehem Corp.*, 1939, 308 U.S. 165, 168. In this case Allbright-Nell has objected seasonably but by its conduct in taking full control of the case, and having executed a contract to pay the judgment and costs, has waived the convenience element of venue. It is present voluntarily in the Northern District of Indiana, the forum of the instant case, and can suffer no inconvenience by being a defendant in the case. Cf. *Fairhope Fabrics v. Mohawk Carpet Mills*, D.C. Mass., 1956, 140 F. Supp. 313, 316.

The chance that Allbright-Nell might terminate its defense agreement is not material. Allbright-Nell has already entered the case and venue once waived can not be revived. *Neirbo Co. v. Bethlehem Corp.*, *supra*.

In *Dicks Press Guard Mfg. Co. v. Bowen*, D.C.N.D.N.Y., 1916, 229 Fed. 193, the court made a statement at page 196 which I think is appropriate here:

"It would seem plain that the court ought to know what parties, either complainant or defendant, are before it and entitled to be heard, and that the record itself should show this. One of the most vicious things [fol. 21] connected with a litigation, either civil or criminal, is the operation of influences from and the recognition of interested persons not appearing as parties on the record. Those who are to be heard at all and recognized in bringing out and considering the merits of a controversy should be parties of record...."

For the reasons stated I would reverse the order of the district court dismissing Allbright-Nell from the cases, and hold that it had entered its general appearance and waived venue by its conduct.

[fol. 22]

IN UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

CARL SCHNELL and THE GRIFFITH LABORATORIES, INC.,
an Illinois corporation, Plaintiffs-Appellants,

No. 12901

vs.

PETER ECKRICH & SONS, INC., an Indiana corporation, and
THE ALLBRIGHT-NELL COMPANY, an Illinois corporation,
Defendants-Appellees.

Appeal From the United States District Court for the
Northern District of Indiana, Fort Wayne Division.

JUDGMENT—June 20, 1960

This cause came on to be heard on the transcript of the
record from the United States District Court for the
Northern District of Indiana, Fort Wayne Division, and
was argued by counsel.

On consideration whereof, it is ordered and adjudged by
this court that the order of the said District Court en-
tered therein on January 22, 1960, in this cause appealed
from be, and the same is hereby, Affirmed, with costs, in
accordance with the opinion of this Court filed this day.

[fol. 23]

IN UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

CARL SCHNELL and THE GRIFFITH LABORATORIES, Inc., an Illinois corporation, Plaintiffs-Appellants,

No. 12902

vs. *

PETER ECKRICH & SONS, Inc., an Indiana corporation, and THE ALLBRIGHT-NELL COMPANY, an Illinois corporation, Defendants-Appellees.

Appeal From the United States District Court for the Northern District of Indiana, Fort Wayne Division.

JUDGMENT—June 20, 1960

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Indiana, Fort Wayne Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the order of the said District Court entered therein on January 22, 1960, in this cause appealed from be, and the same is hereby, Affirmed, with costs, in accordance with the opinion of this Court filed this day.

[fol. 24] Clerk's Certificate to Foregoing Transcript (omitted in printing)

[fol. 25]

SUPREME COURT OF THE UNITED STATES

No. 219, October Term, 1960

CARL SCHNELL, et al., Petitioners,

vs.

PETER ECKRICH & Sons, Inc., et al.

ORDER ALLOWING CERTIORARI—October 10, 1960

The petition herein for a writ of certiorari to the United States Court of Appeals for the Seventh Circuit is granted, and the case is transferred to the summary calendar.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

FILE COPY

100-1250
JAMES R. BROWNING, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No. 219

CARL SCHNELL AND THE GRIFFITH LABORATORIES, INC.

Petitioners.

PETER ECKRICH & SONS, INC., AND THE ALL-BRIGHT-NELL COMPANY.

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

CHARLES J. MERRIAM,
NORMAN M. SUFLETT,

30 West Monroe Street,
Chicago 3, Illinois,

Counsel for Petitioners.

INDEX.

| | PAGE |
|--|------|
| Citations | ii |
| Opinions Below | 1 |
| Jurisdiction | 2 |
| Question Presented | 2 |
| Statement of the Case | 2 |
| Reasons for Granting the Writ | 4 |
| Argument | 5 |
| Conclusion | 5 |
| <i>Appendix</i> | 1-A |
| Majority Opinion of Court of Appeals in Consolidated Appeals 12901-12902 | 1-A |
| Dissenting Opinion of Court of Appeals in Consolidated Appeals 12901-12902 | 6-A |
| Judgment of June 20, 1960 of Court of Appeals in Appeal 12901 | 11-A |
| Judgment of June 20, 1960 of Court of Appeals in Appeal 12902 | 12-A |

CITATIONS.

Cases:

| | |
|---|---|
| Hanson v. Denckla, 357 U. S. 235, 2 L. Ed. 2d 1283, 78 Sup. Ct. 1228 (1958) | 4 |
| Ocean Accident & Guarantee Corp. v. Felgemaker, 143 F. 2d 950 (6th Cir. 1944) | 4 |
| Redman v. Stedman Manufacturing Company, 181 F. Supp. 5 (M. D. N. C. 1960) | 4 |

Statutes.

| | |
|---------------------------------|---|
| 28 U. S. C., Sec. 1254(1) | 2 |
| 28 U. S. C., Sec. 1292(b) | 3 |
| 28 U. S. C., Sec. 1338(a) | 2 |

IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No. _____

CARL SCHNELL AND THE GRIFFITH LABORATORIES, INC.,

Petitioners,

vs.

PETER ECKRICH & SONS, INC., AND THE ALL-BRIGHT-NELL COMPANY,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Petitioners pray that a writ of certiorari issue to review the judgments of the United States Court of Appeals for the Seventh Circuit entered in the above entitled (consolidated) cases on June 20, 1960.

OPINIONS BELOW.

The District Court gave no opinion. Its findings of fact and conclusion of law in each case (C. A. 1128 and 1184) appear herewith (1128: App. 11-14; 1184: App. 3-6).

The opinion of the U. S. Court of Appeals for the Seventh Circuit has not been reported as of this date, but is printed herewith at App. 1A-10A.

JURISDICTION.

The judgments of the United States Court of Appeals for the Seventh Circuit were made and entered on June 20, 1960 (C. I. A. 1128, Appeal 12902: App. 12A; C. A. 1184, Appeal 12901: App. 11A).

The jurisdiction of this Court is invoked under 28 U. S. C., Section 1254 (1).

QUESTION PRESENTED.

Did The Allbright-Nell Company enter a general appearance in each of consolidated cases C.A. 1128 and C.A. 1184 (Appeals 12902 and 12901, respectively) by openly defending on behalf of Peter Eckrich & Sons, Inc. (and in its own interest) and controlling the defense, *after* it had been named as a party in each of these suits?

STATEMENT OF THE CASE.

These appeals are in two actions brought in the District Court for the Northern District of Indiana by The Griffith Laboratories, Inc. and Carl Schnell against defendants Peter Eckrich & Sons, Inc., an Indiana corporation, and The Allbright-Nell Company, an Illinois corporation, for infringement of certain patents. Federal jurisdiction is based on 28 U. S. C., Section 1338(a). The first case filed (C. A. 1128, Appeal 12902) involved patents 2,840,318 and 2,842,177, and was originally brought on February 13, 1959, only against the Eckrich concern; but The Allbright-Nell Company was joined by an amended complaint on April 30, 1959. The second suit (C.A. 1184, Appeal 12901) was on patent No. 2,906,310, and was filed on September 30, 1959, immediately after the issuance of that patent. Both defendants were named in this complaint.

In each case it is asserted that the defendants conspired

to infringe the patents. It is conceded for the purposes of this record that The Allbright-Nell Company, however, does not have a place of business in the State of Indiana. It was, however, acknowledged by defendants that The Allbright-Nell Company had a contract with Eckrich to indemnify it and to take over the defense and control of the cases, and that it was, in fact, so doing (e.g., 1128: App. 11, 12; 1184: App. 3, 4). In each case The Allbright-Nell Company was served in Illinois, but no claim to jurisdiction is based upon that service, as such. The sole basis asserted for jurisdiction over The Allbright-Nell Company is that it, by controlling the defense, was in fact presenting itself before the court to protect its own interests as well as those of Eckrich, and that such action, *after* being named as a party in the suits, constituted a general appearance.

The foregoing facts are well set forth in the findings of fact of the District Court (1128: App. 11-13; 1184: App. 3-5), as to which there is no dispute.

The District Court granted the motion of Allbright-Nell, filed in each case, to quash a summons served on it in Illinois and to dismiss it from the action on the ground that it was not subject to suit in the Northern District of Indiana. Allbright-Nell was dismissed and the Court of Appeals granted petitions of plaintiffs-petitioners to appeal pursuant to 28 U. S. C. 1292(b), the District Court having certified in each case that the order at issue involves a controlling question of law as to which there is substantial ground for difference of opinion, and an immediate appeal may materially advance the ultimate termination of the litigation (1128: App. 15; 1184: App. 7).

Since a common issue was involved in both appeals and the appropriate facts relating thereto are the same, on March 9, 1960 the Court of Appeals granted petitioners' motion to consolidate Appeal No. 12901 and Appeal No. 12902.

An appeal hearing was held on May 6, 1960. On June 20, 1960, the Court of Appeals rendered its opinion (App. 1A-10A) in which it affirmed the District Court rulings, with Judge Platt dissenting (App. 6A-10A). Judgments were rendered the same day (Appeal 12901: App. 11A; Appeal 12902: App. 12A).

REASONS FOR GRANTING THE WRIT.

1. The petition brings before the Court an important question of federal procedure which has not been, but should be, settled by this Court.

The decision of the Circuit Court of Appeals for the Seventh Circuit necessitates an additional law suit against a party who is actually before the court. Reversal of this decision would eliminate such needless multiplicity of suits.

2. There is clear conflict between the Court of Appeals for the Seventh Circuit and the decision of the Court of Appeals for the Sixth Circuit of *Ocean Accident & Guarantee Corp. v. Felgemaker*, 143 F. 2d 950 (6th Cir. 1944). Likewise, the decision of the Court of Appeals for the Seventh Circuit is contrary to the decision in *Redman v. Stedman Manufacturing Company*, 181 F. Supp. 5 (M. D. N. C. 1960).

3. The decision of the Court of Appeals for the Seventh Circuit is contrary to the recent liberal trend toward extending the scope of jurisdiction over foreign corporations and nonresidents, as was noted by this Court in *Hanson v. Denckla*, 357 U. S. 235, 2 L. Ed. 2d 1283, 78 S. Ct. 1228 (1958).

ARGUMENT.

The specific questions involved are simply (a) whether a manufacturer has waived venue by openly controlling the defense of a patent infringement suit on behalf of a customer *after* being named as a defendant in the case, and (b) whether such a defendant, who has used processes of the court in its own interest, has thereby submitted itself to the jurisdiction of that court for all purposes.

Judge Platt's dissenting opinion states (see App. 6A-10A) petitioners' argument in a manner upon which we cannot improve, and which we, therefore, do not repeat.

We add only that there is no reason to provide greater protection to a manufacturer who could intervene, but who chooses to act as a puppeteer instead, than the manufacturer would have if he forthrightly intervened. Nor do we see why litigation should be promoted when it could be disposed of in one suit.

CONCLUSION.

For the reasons stated and referred to above, it is respectfully requested that the petition for a writ of certiorari be granted covering each of the consolidated cases.

CHARLES J. MERRIAM,

NORMAN M. SHAPIRO,

30 West Monroe Street,

Chicago 3, Illinois,

Counsel for Petitioners.

Majority Opinion in Consolidated Appeals 1-A
12901-12902.

APPENDIX.

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit

September Term, 1959—April Session, 1960

Nos. 12901-12902

CARL SCHNELL and THE GRIFFITH
LABORATORIES, INC., an Illinois
corporation,

Plaintiffs-Appellants,

v.

PETER ECKRICH & SONS, INC., an
Indiana corporation, and THE
ALLBRIGHT-NELL COMPANY, an
Illinois corporation,

Defendants-Appellees.

Appeals from the
United States Dis-
trict Court for the
Northern District
of Indiana, Fort
Wayne Division.

June 20, 1960

Before SCHNACKENBERG and CASTLE, *Circuit Judges*, and
PLATT, *District Judge*.

CASTLE, *Circuit Judge*. These appeals are in two actions
brought in the District Court for the Northern District of
Indiana by Carl Schnell and The Griffith Laboratories,
Inc., plaintiffs-appellants¹ for the infringement of certain
patents. The first case involved two patents and was orig-
inally brought only against defendant-appellee, Peter Eck-
rich & Sons, Inc.² Defendant-appellee, Allbright-Nell Com-

1. Herein referred to as plaintiffs.

2. Herein referred to as Eckrich.

2-A *Majority Opinion in Consolidated Appeals*
12901-12902.

pany,³ was joined as a defendant by an amended complaint. The second suit involved a third patent and from its commencement both Eckrich and Allbright-Nell were named as defendants.

The District Court granted the motion of Allbright-Nell, filed in each case, to quash a summons served on it in Illinois and to dismiss it from the action on the ground that it was not subject to suit in the Northern District of Indiana. Allbright-Nell was dismissed and we granted petitions of plaintiffs to appeal pursuant to 28 U.S.C.A. § 1292 (b), the District Court having certified in each case that the order at issue involves a controlling question of law as to which there is substantial grounds for difference of opinion, and an immediate appeal may materially advance the ultimate determination of the litigation.

The sole contested issue is whether, as a matter of law Allbright-Nell, a named defendant, by its open assumption and control of the defense of Eckrich submitted to the jurisdiction of the District Court?

None of the facts is in dispute. Allbright-Nell is the manufacturer of the accused devices. Eckrich is its customer. By contract Allbright-Nell is obligated to indemnify Eckrich and to defend it in any suit based on a claim that the accused devices or their use in accordance with Allbright-Nell's specifications constitute an infringement of any U. S. patent. It is conceded for the purpose of the record that Allbright-Nell does not have a place of business in Indiana. No claim to jurisdiction is based on the service made in Illinois, which was quashed.

The sole basis asserted as conferring jurisdiction over Allbright-Nell is that by controlling the defense it was in fact protecting its own interests as well as those of Eck-

3. Herein referred to as Allbright-Nell.

rich and that such action constituted a general appearance submitting to the jurisdiction of the District Court. It is not disputed that Allbright-Nell was and is defending the two actions for Eckrich and has assumed full control of the defense.

In our opinion the decision of this Court in *Freeman-Sweet Co. v. Luminous Unit Co.*, 7 Cir., 264 Fed. 107 is controlling in the instant case. It was there held that a manufacturer who assumed control of the defense of a patent infringement suit brought against one of its customers in a jurisdiction of which the manufacturer was not an inhabitant could not, over its objection, be made a party defendant. This Court there said (pp. 109, 110):

"At the trial, counsel of record for the sole defendant Freeman-Sweet Company, stated, in answer to an inquiry, that he had been employed and was compensated by the appellant, the Reflectolyte Company to defend this suit brought against its vendee; he conceded that it was privy to the case and that the decision to be rendered would be *res adjudicata* as to it as well as to the Freeman-Sweet Company, on the questions of validity and infringement but he objected to having his employer appellant the Reflectolyte Company, made a party defendant to this suit, claiming for it the privilege of not being sued in a jurisdiction of which it was not an inhabitant and in which it had no regular and established place of business. Specifically counsel urged that damages claimed for unfair competition could not be adjudicated against it, a citizen of the same state as plaintiff. Thereupon plaintiff specifically disclaimed any recovery against either appellant on this ground, limiting the suit to injunction, damages, and accounting of profit for infringement.

But counsel did not thereupon consent to the jurisdiction of the court over this appellant; his objection to its being made a party defendant, as distinguished from a privy remained and the objection, in our judg-

4-A *Majority Opinion in Consolidated Appeals.*

12901-12902.

ment, was valid. Without its consent, the court was powerless to compel this appellant to submit to an accounting in Illinois, for all infringements committed in the course of its business in Missouri. While as privy it was bound by the decision as to validity and infringement, it had the right to insist that it be not held to account in Illinois as decreed by the Court."

The opinion of the district court in *Esquire, Inc. v. Varga Enterprises, Inc.*, 81 F. Supp. 306, aff'd. 7 Cir., 185 F. 2d 14, cited by plaintiffs, does not set forth the facts nor the legal principle upon which Vargas' submission to jurisdiction was predicated but merely asserts (p. 307) that "The evidence appears to be sufficiently clear that he has submitted to the jurisdiction of the Court • • •".

In *The University of Illinois Foundation v. Block Drug Co.*, 133 F. Supp. 580, aff'd. 7 Cir., 241 F. 2d 6, also cited by plaintiffs, it is not shown that an objection to jurisdiction was made. In neither case was the point considered on appeal in this Court. We do not regard these cases as adjudicating the point here in issue.

In *Ocean Accident & Guarantee Corp. v. Felgemaker*, 6 Cir., 143 F. 2d 950, relied upon by plaintiffs, the service was quashed because the district court had "no jurisdiction to issue process in this case beyond the limits of the district". Although the court assumed jurisdiction on the ground of "control of the defense" it does not appear a specific objection was interposed that the venue was inappropriate and the insurance carrier not subject to suit therein. In the instant case such an objection was timely made by Allbright-Nell's motion for dismissal on the ground that it was not subject to suit in the district. Nor is Allbright-Nell by its contract liable to plaintiffs by virtue of any judgment they may recover from Eckrich as was the case under the insurance contract involved in

Majority Opinion in Consolidated Appeals. 5-A
12901-12902.

Ocean Accident. And in *Ocean Accident* the effect of the privy's conduct as authorizing entry of judgment against it was not determined until, as a past and completed occurrence, it was subject to judicial appraisal in the light of all factors involved. In the instant case we are importuned to accept a contractual obligation to defend and mere entrance thereupon as conclusive not only of one's ultimately being bound by the judgment entered but also of being, in the interim, subject to all of the incidents of being a formal party to the action.

If, as plaintiffs contend, *Ocean-Accident* appears to chart such a course we are not disposed to follow it. Under our holding in the *Freeman-Sweet Co.* case recognition of a contractual obligation to defend does not have an irrevocable effect which fails to consider or protect against changes which may occur in the course of the litigation between the privy and the defendant, such as possible termination of the defense agreement by consent, its renunciation by the defendant or its breach by defendant's failure to cooperate.

In our view statutory requirements of venue should not be nullified or dispensed with by an extension of the doctrine by which a person may in some situations become bound by a judgment although not a formal party to the action subject to the jurisdiction of the court which entered it.

The orders of the District Court are affirmed.

AFFIRMED.

6-A *Dissenting Opinion in Consolidated Appeals*

12901-12902.

PLATT, D.J., dissenting. In my opinion Allbright-Nell Company has entered its general appearance in these cases and waived venue as required by § 1400, Title 28 U.S.C.A.

The majority opinion is based primarily upon *Freeman-Sweet Co. v. Luminous Unit Co.*, 7 Cir., 1920, 264 Fed. 107, cert. denied 253 U.S. 486, 64 L. Ed. 1025, which presents a different situation than presented here. The district court in the instant case made the following finding of fact:

"The defense of this case has been openly assumed by said Allbright-Nell Company, which concedes that it was and is defending this suit for defendant, Peter Eckrich & Sons, Inc., and has assumed full control of the defense thereof. This defense is pursuant to a contract dated March 6, 1959, the pertinent provision of which is as follows:

"3. The Allbright-Nell Co. agrees solely at its expense to defend or settle any suit or proceeding brought against Peter Eckrich and Sons, Inc. based on a claim (of which claim prompt and timely written notice shall have been given to The Allbright-Nell Co.) that the ANCO Emulsitators supplied by The Allbright-Nell Co., or the use thereof in accordance with specifications of The Allbright-Nell Co., constitutes an infringement of any United States patent, and The Allbright-Nell Co. agrees to indemnify Peter Eckrich and Sons, Inc. for any expenses directly arising from any such claim, provided that Peter Eckrich and Sons, Inc. shall not undertake to defend any such suit or proceeding nor to effect any settlement or compromise thereof without the prior express written consent of The Allbright-Nell Co.; and should the ANCO Emulsitator or its use as specified by The Allbright-Nell Co. be adjudicated to constitute an infringement of any United States patent, The Allbright-Nell Co. further agrees to pay all court awarded damages and costs, and solely at the expense of The Allbright-Nell Co. . . ."

Dissenting Opinion in Consolidated Appeals 7-A
12901-12902.

Thus, Allbright-Nell, the manufacturer, not alone employed counsel and was obligated to pay attorney's fee but it assumed full control of the defense, and by the contract was required to pay the judgment and costs against Eckrich, and Eckrich could not compromise the action. In *Freeman-Sweet*, the Reflectolyte, the manufacturer, was not a defendant in the original suit where the validity and infringement was determined, but only in a subsequent suit for "injunction, damages, and accounting." Allbright-Nell is named defendant in this suit, the original action, where all issues will be determined, and is the real party in interest with the right to make the defense in any manner it decides, take or defend an appeal, without any interference from Eckrich.

In *Ocean Accident & Guarantee Corp. v. Felgemaker*, 6 Cir., 1944, 143 F. 2d 950, which the majority opinion refuses to follow, Inter Insurance Exchange was not a party to the original action against its insured where judgment was obtained, but it controlled the defense of that suit. After judgment was obtained a supplemental action was brought against Inter Insurance Exchange to collect the judgment against its insured. Inter Insurance Exchange made a motion to quash the service of summons as soon as it was made a party defendant to the supplemental action to collect judgment because it was an inhabitant of Illinois and the suit was brought in Ohio. *Felgemaker v. Ocean Accident & Guarantee Corporation*, D.C.N.D.Ohio E.D., 1942, 47 F. Supp. 660, 661, affirmed as to Inter Insurance Exchange in 143 F. 2d 950, 952. The service of process on the defendant, Inter Insurance Exchange, was quashed but the court assumed jurisdiction of Inter Insurance Exchange and entered judgment against it. Inter Insurance Exchange was not a proper party to the original proceeding where judgment was obtained against

its insured. *Felgenhauer v. Ocean Accident & Guarantee Corporation, supra.* Allbright-Nell is a proper party to the original action in the instant case. In *Ocean Accident & Guarantee Corporation v. Felgemaker, supra*, the court held "that Inter Insurance had made a general appearance in the suits by actively defending the cases through its attorneys. . . ." The court said at page 952:

"Concededly Inter Insurance took every action in the case which it could have taken if it had itself been the defendant, and in fact it exercised absolute and complete control over the proceedings. It had the right to cross-examine, to present testimony, and if it desired, to appeal. It also had a substantial interest in the controversy. . . . Under its agreement, after rendition of the final judgment . . . it was liable to the insured. Therefore when Inter Insurance conducted the defense, it was defending itself."

Allbright-Nell will also control the defense here and is possessed of these same rights and by its contract will be compelled to pay any judgment and costs, if any, against Eckrich. In addition thereto if Allbright-Nell is permitted to be the real party in interest it may take full advantage of Deposition and Discovery as provided in Ch. V, Fed. Rules Civ. Proc., but not being a defendant it is questionable what it will be required to disclose. *Frasier v. Twentieth Century Fox Film Corp.*, D.C.D.Neb.L.D., 1954, 119 F. Supp. 495; *Neward v. Abeel*, D.C.S.D.N.Y., 1952, 106 F. Supp. 758; *Quemos Theatre Co. v. Warner Bros. Pictures*, D.C.D.N.J., 1940, 35 F. Supp. 949; *Canuso v. City of Niagara Falls*, D.C.W.D.N.Y., 1945, 7 F.R.D. 162; *Stewart-Werner Corporation v. Staley*, D.C.W.D.Penna., 1945, 4 F.R.D. 333; *Israel v. Shapiro*, D.C.S.D.N.Y., 1942, 3 F.R.D. 175.

The only difference between the instant case and the *Ocean Accident* case is that judgment has not yet been

Dissenting Opinion in Consolidated Appeals. 9-A

12901-12902.

obtained and may not be against Eckrich, whereas it had already been entered against the Inter Insurance Exchange's insured. Since Allbright-Nell controls the defense and is bound by an indemnity contract, the principles of *res judicata* will be applicable to the judgment whether it is a party defendant or not. *Switzer Brothers, Inc. v. Chicago Cardboard Co.*, 7 Cir., 1958, 252 F. 2d 407, 412. In *Bros, Incorporated v. W. E. Grace Manufacturing Co.*, 5 Cir., 1958, 261 F. 2d 428, the court said at page 430:

"While the mere payment of counsel fees or participation in a trial by one not a named party to it would not alone be sufficient, cf. *I.T.S. Rubber Co. v. Essex Rubber Co.*, 1926, 272 U.S. 429, 47 S. Ct. 136, 71 L. Ed. 335, Restatement, Judgments §84, comment e (1942), the extent and nature of that participation may completely alter the consequences. . . . The alternative, of course, is to jump in and give the case full and active defense as though the manufacturer were the real named party. . . .

"Where that course is followed and the non-party actively and avowedly conducts the defense, manages and directs the progress of the trial at its expense and under its supervision, the outcome, which if favorable would have redounded to his benefit, if adverse becomes sauce for goose and gander alike, and binding under principles of *res judicata*."

A manufacturer under similar circumstances has been restrained where the decree was entered against the dealer in a patent suit. *Redman v. Stedman Manufacturing Company*, M.D.N.C.G.D., 1960, 181 F. Supp. 5; *Eagle Manuf'g Co. v. Miller*, C.C.S.D.Iowa F.D., 1890, 41 Fed. 351, reversed on other ground 151 U.S. 186. There is no reason why the principle set forth in the *Ocean-Accident* case should not be applied in the instant patent case. See *Metalock Repair Service, Inc. v. Harmon*, 6 Cir., 1958, 258 F. 2d 809.

10-A *Dissenting Opinion in Consolidated Appeals.*

12901-12902.

The "venue statute relates to the convenience of the litigants and as such is subject to their disposition." *Riley v. Union Pac. R. Co.*, 7 Cir., 1949, 177 F. 2d 673. The objections to venue "may be lost by failure to assert it seasonably, by formal submission in a cause, or by submission through conduct." *Neirbo Co. v. Bethlehem Corp.*, 1939, 308 U.S. 165, 168. In this case Allbright-Nell has objected seasonably but by its conduct in taking full control of the case, and having executed a contract to pay the judgment and costs, has waived the convenience element of venue. It is present voluntarily in the Northern District of Indiana, the forum of the instant case, and can suffer no inconvenience by being a defendant in the case. Cf. *Fairhope Fabrics v. Mohawk Carpet Mills*, D.C. Mass., 1956, 140 F. Supp. 313, 316.

The chance that Allbright-Nell might terminate its defense agreement is not material. Allbright-Nell has already entered the case and venue once waived can not be revived. *Neirbo Co. v. Bethlehem Corp.*, *supra*.

In *Dicks Press Guard Mfg. Co. v. Bowen*, D.C.N.D.N.Y., 1916, 229 Fed. 193, the court made a statement at page 196 which I think is appropriate here:

"It would seem plain that the court ought to know what parties, either complainant or defendant, are before it and entitled to be heard, and that the record itself should show this. One of the most vicious things connected with a litigation, either civil or criminal, is the operation of influences from and the recognition of interested persons not appearing as parties on the record. Those who are to be heard at all and recognized in bringing out and considering the merits of a controversy should be parties of record. . . ."

For the reasons stated I would reverse the order of the district court dismissing Allbright-Nell from the cases, and hold that it had entered its general appearance and waived venue by its conduct.

UNITED STATES COURT OF APPEALS
For the Seventh Circuit
Chicago 10, Illinois

Monday, June 20, 1960

Before:

Hon. Elmer J. Schnaackenberg, Circuit Judge

Hon. Latham Castle, Circuit Judge

Hon. Casper Platt, District Judge

CARL SCHNELL and THE GRIFFITH
LABORATORIES, INC., an Illinois
corporation,

Plaintiffs-Appellants,

No. 12901 v.

PETER ECKRICH & SONS, INC., an
Indiana corporation, and THE
ALLBRIGHT-NELL COMPANY, an
Illinois corporation,

Defendants-Appellees.

Appeal from the
United States District Court for the
Northern District of Indiana, Fort
Wayne Division.

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Indiana, Fort Wayne Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the order of the said District Court entered therein on January 22, 1960, in this cause appealed from be, and the same is hereby, **AFFIRMED**, with costs, in accordance with the opinion of this Court filed this day.

UNITED STATES COURT OF APPEALS
For the Seventh Circuit
Chicago 10, Illinois

Monday, June 20, 1960

Before:

Hon. Elmer J. Schnackenberg, Circuit Judge

Hon. Latham Castle, Circuit Judge

Hon. Casper Platt, District Judge

CARL SCHNELL and THE GRIFFITH
LABORATORIES, INC., an Illinois
corporation,

Plaintiffs-Appellants,

No. 12902 v.

PETER ECKRICH & SONS, INC., an
Indiana corporation, and THE
ALLBRIGHT-NELL COMPANY, an
Illinois corporation,

Defendants-Appellees.

A p p e a l f r o m t h e
U n i t e d S t a t e s D i s-
t r i c t C o u r t f o r t h e
N o r t h e r n D i s t r i c t
o f I n d i a n a , F o r t
W a y n e D i v i s i o n .

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RECOPY

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1960

No. 219

CARL SCHNELL and THE GRIFFITH
LABORATORIES, INC.,
Petitioners,
vs.

PETER ECKRICH AND SONS, INC.,
and
THE ALLBRIGHT-NELL COMPANY,
Respondents.

**RESPONDENT'S BRIEF IN OPPOSITION
TO PETITION FOR CERTIORARI**

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INDEX

| | PAGE |
|--|------|
| OPINIONS BELOW | 1 |
| JURISDICTION | 1 |
| QUESTION PRESENTED | 2 |
| STATEMENT OF THE CASE | 2 |
| ARGUMENT | 3 |
| Petitioners' Reasons for Granting The Writ are Inadequate | 3 |
| Reason No. 1 | 3 |
| Reason No. 2 | 3 |
| Reason No. 3 | 10 |
| CONCLUSION | 11 |

CITATIONS

CASES

| | |
|---|------|
| Builders & Mfrs. Mut. Casualty Co. v. Preferred Auto- mobile Ins. Co., 118 F.2d 118 (C.C.A. 6, 1941) | 8, 9 |
| The Dow Chemical Company v. Metlon Corporation et al., 126 USPQ 158 (C.A. 4, 1960) | 9 |
| Foureo Glass Company v. Transmirra Products Cor- poration, et al., 353 U.S. 222, 77 S.Ct. 787 (1957) ... | 10 |
| Freeman-Sweet Co. et al. v. Luminous Unit Co., 264 Fed. 107 (C.C.A. 7, 1919) | 9 |
| Hoffman v. Blaski et al., ... U.S. ..., 80 S.Ct. 1084, 125 USPQ 553 (1960) | 10 |
| Layne & Bowler Corporation v. Western Well Works, Inc., et al., 261 U.S. 387, 43 S.Ct. 422 (1923) | 3, 4 |

| | |
|---|------------|
| Maryland Casualty Co. v. Pacific Coal & Oil Co., et al., 111 F.2d 214 (C.C.A. 6, 1940) | 8 |
| G. & C. Merriam Company v. Arthur J. Saalfeld et al., 241 U.S. 22, 36 S.Ct. 477 (1916) | 3 |
| Ocean Accident & Guarantee Corporation, Limited v. Felgemaker et al., 143 F.2d 950 (C.C.A. 6, 1944) affirming, Felgemaker v. Ocean Accident & Guaranty Corporation, Limited, et al., 47 F.Supp. 660 (N.D. Ohio, E.D., 1942) | 4, 5, 6, 9 |
| Olberding et al. v. Illinois Cent. R. Co., Inc., 346 U.S. 338, 74 S.Ct. 83 (1953) | 10, 11 |
| Redman et al. v. Stedman Manufacturing Company, 181 F.Supp. 5 (M.D., N.C., 1960) | 9, 10 |
| Rice v. Sioux City Memorial Park Cemetery, Inc., et al., 349 U.S. 70; 75 S.Ct. 614 (1955) | 4 |

UNITED STATES STATUTES

| | |
|--|---|
| Title 28 United States Code, Section 1254(1) | 1 |
| Title 28 United States Code, Section 1292(b) | 2 |
| Rule 19-1(b), Supreme Court Rules | 4 |

MISCELLANEOUS

| | |
|---|------|
| Frankfurter and Hart, The Business of the Supreme Court at October Term, 1933, 48 Harvard Law Review 238 (1934) | 4 |
| Page's Ohio General Code Annotated, Volume Six, 1938 | 5, 6 |

IN THE
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**RESPONDENT'S* BRIEF IN OPPOSITION
TO PETITION FOR CERTIORARI**

OPINIONS BELOW

The opinions below are properly identified in the Petition (p. 1).

JURISDICTION

Petitioners' statement of jurisdiction (p. 2) correctly refers to 28 U.S.C. Section 1254 (1).

- While the Petition names two respondents, it involves a procedural question the determination of which can only affect The Allbright-Nell Company. This brief will, therefore, use the term "Respondent" only with reference to The Allbright-Nell Company and will refer to the other named respondent, Peter Eekrich and Sons, Inc., as the Defendant.

QUESTION PRESENTED

Did the assumption of the defense of Peter Eckrich and Sons, Inc. by The Allbright-Nell Company as a matter of law constitute a submission to the jurisdiction of the District Court or a waiver of any objections to service of summons and venue by The Allbright-Nell Company?

Respondent's wording of the question presented is preferable to that found in the Petition (p. 2) because it corresponds to the conclusion of law entered in the District Court (App. pp. 6, 14) and certified for immediate appeal under 28 U.S.C. 1292(b).

The above phrasing of the question presented differs from that suggested by Petitioners by articulating that The Allbright-Nell Company cannot be regarded as a formal party to the Indiana Actions (Nos. 1128 and 1184), unless its objections to venue as well as personal jurisdiction are overcome. Furthermore, Respondent's version of the question presented avoids the confusing emphasis which Petitioners have placed on events occurring after The Allbright-Nell Company had been named as a defendant in the complaints.

STATEMENT OF THE CASE

Petitioners' statement of the case (App. pp. 2, 3 and 4) is essentially accurate. It should, however, be observed that neither the Findings of Fact (App. pp. 3-5, 11-13) nor the record before this Court support the allegation of conspiracy between The Allbright-Nell Company and Peter Eckrich and Sons, Inc. referred to on pages 2 and 3 of the Petition.

3

ARGUMENT

Petitioners' Reasons for Granting The Writ are Inadequate

Petitioners seek to invoke this Court's jurisdiction for three separate reasons of which only the second one deserves more than cursory comment.

REASON No. 1

Petitioners first urge this Court to exercise its certiorari jurisdiction because there is presented an important question of federal law which has not been, but should be, settled by this Court. While Petitioners present no argument in support of this alleged reason for certiorari, it is clear that the basic issue here presented has been adjudicated in *G. & C. Merriam Company v. Arthur J. Saalfeld et al.*, 241 U.S. 22, 36 S. Ct. 477 (1916). The case establishes that "it is inconsistent with elementary principles" to treat as an actual party to the record one who is not subject to venue and personal jurisdiction but has controlled the defense of a case pursuant to an agreement with a defendant who has been properly served and cannot object to venue.

REASON No. 2

There is no conflict between the Seventh and the Sixth Circuits which calls for resolution by this Court. It has long been recognized that mere differences in reasoning, emphasis or approach to legal questions may exist between the Courts of Appeals without requiring the intervention of this Court. Thus, it was said in *Layne & Bowler Corporation v. Western Well Works, Inc., et al.*, 261 U.S. 387, 393, 43 S. Ct. 422, 423 (1923) that the writ of certiorari should not be granted.

• • • except in cases involving principles the settlement of which is of importance to the public, as distinguished from that of the parties, and in cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals."

Rule 19-1(b) of the Supreme Court Rules contemplates

"The existence of a square conflict • • • the Court is interested in conflicts which impair uniformity of decision where uniformity is significant • • •"

That these standards have not been changed is clear from *Rice v. Sioux City Memorial Park Cemetery, Inc., et al.*, 349 U. S. 70, 79, 75 S. Ct. 614, 619 (1955).

The wisdom of observing these standards is manifest in a legal system the growth and development of which is largely dependent upon careful case by case analysis. In such a system, the evolution of enduring and reasonable rules of law is generally fostered if the lower courts are given the opportunity to achieve a consensus or clearly articulate their reasons for disagreement.

These standards should be borne in mind in considering whether there is a conflict between the Courts of Appeals for the Seventh Circuit and the Sixth Circuit as alleged by Petitioners. Respondent here does not contend that the decision below is in perfect harmony with *Ocean Accident & Guarantee Corporation, Limited v. Felgemaker et al.*, 143 F.2d 950 (C.C.A. 6, 1944) affirming *Felgemaker v. Ocean Accident & Guarantee Corporation, Limited, et al.*, 47 F. Supp. 660 (N.D. Ohio, E.D., 1942). These two cases, however, do not constitute a "real and embarrassing conflict" as required by the *Layne & Bowler* case, *supra*. On the

* Frankfurter and Hart, "The Business of the Supreme Court at October Term, 1933," 48 *Harvard Law Review* 238, 268 (1934).

contrary, these cases are clearly and properly distinguishable on the facts and issues involved.

The two most obvious and significant distinctions between the Sixth and the Seventh Circuits' decisions are that the former did not present an issue of federal venue and that the jurisdictional question arose only after the judgment against the insured had remained unsatisfied for a period prescribed by the controlling statute of Ohio. In the latter case, by way of contrast, the question is whether the provisions of a federal venue statute (28 U.S.C. § 1400(b)) must be complied with, and this question is presented at the outset rather than after the termination of the civil action against one of Allbright-Nell's customers.

Thus *Ocean Accident & Guarantee Corporation, Limited v. Felgemaker et al.*, 143 F.2d 950 (C.C.A. 6, 1944) were damage actions arising out of an automobile accident in Ohio. The actions originally instituted in a state court were removed to the federal district court. The defendant's insurance company pursuant to its policy assumed the defense of the actions, but it was not named or treated as a party to the litigation. After the plaintiffs had won judgments against the insured, they sought satisfaction from the insurance company. They were entitled to proceed directly against the insurer under Section 9510-4 of the General Code of Ohio* and also under a clause of the insurance contract which provided

* "Upon the recovery of a final judgment against any firm, person or corporation by any person, including administrators and executors, for loss or damage on account of bodily injury or death, for loss or damage to tangible or intangible property of any person, firm, or corporation, for loss or damage on account of loss or damage to tangible or intangible property of any person, firm, or corporation, for loss or damage to a person on account of bodily injury to his wife, minor child or children if the defendant in such action was insured against loss or damage at the time when the rights of action arose, the judgment creditor or his successor in interest

"The Exchange, after rendition of final judgment against the Insured, shall be liable to the person entitled to recover for such death or for any such injury to the person or property when caused by the Insured, in the same manner and to the same extent that said Exchange is liable to the Insured." (143 F.2d 951)

In order to collect from the insurer the plaintiffs filed supplemental and amended complaints naming the insurer, but did not make proper service of summons on the latter. The insurance company admitted "it had no defense outside of the jurisdictional question," (143 F.2d at 953). The reports do not disclose that the insurance company objected specifically to venue in Ohio or that the facts would have justified such an objection since all plaintiffs apparently resided in Ohio. The question seems to have been whether the Court had acquired jurisdiction over the person of the insurance company without proper service of summons. In holding the insurance company as a party to the action on the judgment, the District Court and the Court of Appeals relied largely on Ohio and other state precedents (47 F. Supp. at 662, 143 F.2d at 952, 953). Indeed the District Court said that its holding was based on "the present state of the law of Ohio" (47 F. Supp. at 662).

shall be entitled to have the insurance money provided for in the contract of insurance between the insurance company and the defendant applied to the satisfaction of the judgment, and if the judgment is not satisfied within thirty days after the date when it is rendered, the judgment creditor or his successor in interest, to reach and apply the insurance money to the satisfaction of the judgment, may file in the action in which said judgment was rendered, a supplemental petition wherein the insurer is made new party defendant in said action, and whereon service of summons upon the insurer shall be made and returned as in the commencement of an action at law. Thereafter the action shall proceed as to the insurer as in an original action at law." (Page's Ohio General Code Annotated, Volume Six, 1938.)

By contrast, the present case was not removed from a state court to a federal court, but was originally instituted in the District Court. The present case is for *patent infringement* which is a matter entirely free from the provisions of state laws as contrasted with an automobile accident case. The Allbright-Nell Company is not a commercial insurer but a manufacturer who, as a necessary incident to its sales, has given patent indemnity to its customers. Respondent's indemnity contract with Defendant Peter Eckrich and Sons, Inc. does not provide for direct liability of the indemnitor to the patent owners. Judgment of validity and infringement has not as yet been obtained against Peter Eckrich and Sons. If The Allbright-Nell Company were held liable to Petitioners, the amount of recovery would probably be determined in an accounting rather than by an award of a lump sum at the end of the trial.

Both the majority and the dissenting opinions below regarded at least some of these differences as significant. Thus, the majority opinion states (4-A, 5-A):

"In *Ocean Accident & Guarantee Corp. v. Felgemaker*, 6 Cir., 143 F.2d 950, relied upon by plaintiffs, the service was quashed because the district court had 'no jurisdiction to issue process in this case beyond the limits of the district'. Although the court assumed jurisdiction on the ground of 'control of the defense' it does not appear a specific objection was interposed that the venue was inappropriate and the insurance carrier not subject to suit therein. In the instant case such an objection was timely made by Allbright-Nell's motion for dismissal on the ground that it was not subject to suit in the district. Nor is Allbright-Nell by its contract liable to plaintiffs by virtue of any judgment they may recover from Eckrich as was the case under the insurance contract involved in *Ocean Accident*. And in *Ocean Accident* the effect of

the privy's conduct as authorizing entry of judgment against it was not determined until, as a past and completed occurrence, it was subject to judicial appraisal in the light of all factors involved. In the instant case we are importuned to accept a contractual obligation to defend and mere entrance thereupon as conclusive not only of one's ultimately being bound by the judgment entered but also of being, in the interim, subject to all of the incidents of being a formal party to the action."

Judge Platt apparently felt that the similarities between the instant case and the Sixth Circuit case were more important than their dissimilarities and he observed, incorrectly we submit (8-A, 9-A):

"The *only* difference between the instant case and the *Ocean Accident* case is that judgment has not yet been obtained and may not be against Eckrich, whereas it had already been entered against the Inter Insurance Exchange's insured." (Emphasis added)

That the rendition of a final judgment against the insured is regarded as an indispensable requirement to an action against the insurer is clear from Section 9510-4 General Code of Ohio, as well as from pertinent cases. In *Maryland Casualty Co. v. Pacific Coal & Oil Co., et al.*, 111 F.2d 214, 215 (C.C.A. 6, 1940), this element was called a "jurisdictional prerequisite" and in *Builders & Mfrs. Mut. Casualty Co. v. Preferred Automobile Ins. Co.*, 118 F.2d 118, 121 (C.C.A. 6, 1941) the Court observed:

"Appellant contends that it is the successor in interest of the Transfer Company in the original actions in the state court, and hence entitled to file the supplemental petition. This contention, however, ignores the fact that no judgment was entered in those cases. Section 9510-4 requires the application of the proceeds of the insurance to the satisfaction of an existing judg-

ment, and is available only when a final judgment has been entered against the insured. *Canen v. Kraft*, 41 Ohio App. 120, 180 N.E. 277; *State Automobile Mutual Ins. Co. v. Columbus Motor Express Co.*, 15 O.L.A. 747; *Fire Ass'n of Philadelphia v. State Automobile Mutual Ins. Co.*, 29 O.L.A. 135. Appellant filed no supplemental petition in the action in the state court, and this fact also precludes it from securing relief as the successor in interest to the claims filed in the state court, for Section 9510-4 requires the filing of a supplemental petition in the action "in which said judgment was rendered."

Viewed against the background of the Ohio statute and the pertinent prior decisions, the real holding of the *Ocean Accident* case is, at most, only vaguely related to the decision of which review is sought. The *Ocean Accident* case merely holds that under Section 9510-4 a supplemental action may be instituted against an insurer who had defended the insured in the principal action even though personal service cannot be made on the insurer. Thus the distinctions between the facts and issues in the *Ocean Accident* insurance case and this patent case are such that there is no real and embarrassing conflict for this Court to resolve. Moreover, the Court below in reaffirming the doctrine of *Freeman-Sweet Co. et al. v. Luminous Unit Co.*, 264 Fed. 107 (C.C.A. 7, 1919) lucidly articulated the policy grounds underlying its decision, and its opinion will probably prove to be persuasive to other courts who may be confronted with the same problem. Indeed a square holding practically identical with, though less articulate than, that of the Court below is found in *The Dow Chemical Company v. Metlon Corporation et al.*, 126 USPQ 158, 162 (C.A. 4, July 7, 1960).*

Petitioners also cite *Redman et al. v. Stedman Manufacturing Company*, 181 F. Supp. 5 (M.D., N. C., 1960) in

* The case has not yet been officially reported.

support of their argument that this Court should review the decision below. The issue in that case differed greatly from the one here adjudicated in that it did not involve the question of whether a manufacturer assuming control of the defense of a patent infringement suit against one of its customers could be made a formal party to the record notwithstanding valid objections to venue and service of process. In the *Redman* case, the question was whether a final judgment enjoining the manufacturer from infringement could be enforced. The question was answered affirmatively because of several unique circumstances. In *Redman* a draft judgment containing the injunction had been submitted to the defense attorneys who had not objected thereto (pp. 7, 8). Indeed the defense attorneys submitted a draft judgment providing expressly that the manufacturer was "bound by the Judgment herein" (p. 8). The propriety of enjoining the manufacturer was not questioned until a petition for rehearing was filed in the Court of Appeals (p. 8). It is thus clear that the *Redman* case has little or no bearing on the issue of which Petitioners here seek review.

REASON No. 3

Petitioners' reason No. 3 is not persuasive. The alleged conflict between the decision below and the "recent liberal trend toward extending the scope of jurisdiction" is not a recognized ground for the exercise of this Court's discretionary jurisdiction. Moreover, the alleged conflict is pure fiction. Such cases as *Olberding et al. v. Illinois Cent. R. Co., Inc.*, 346 U.S. 338, 74 S. Ct. 83, 85 (1953), *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S. Ct. 787 (1957) and *Hoffman v. Blaski et al.*, U.S. ..., 80 S. Ct. 1084, 125 USPQ 553 (1960) all express or imply the necessity of complying with federal statutes pertaining to venue and jurisdiction. As stated in the *Olberding* case, 346 U.S. at 340, 74 S. Ct. at 85:

"The requirement of venue is specific and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal' construction."

CONCLUSION

For the foregoing reasons, it is respectfully submitted that the Petition should be denied.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No. 219

CARL SCHINELL AND THE GRIFFITH LABORATORIES, INC.,
Petitioners.

PETER ECKRICH & SONS, INC. AND THE ALL-BRIGHT NELL COMPANY,
Respondents.

REPLY TO RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR CERTIORARI

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INDEX.

| | PAGE |
|---|------|
| Citations | 1 |
| Reply to Respondents' Brief in Opposition to Petition for Certiorari | 1 |
| Specific Errors in Respondents' Brief..... | 2 |
| 1. The Respondents' Brief Does Not Accu- rately State the Question Presented..... | 2 |
| 2. Merriam v. Saalfeld et al., 241 U. S. 22, Is Not Applicable..... | 2 |
| 3. The Results Reached in the Decisions Cited in Point 2 of Petitioners' Reasons for Granting the Writ Are in Clear Conflict With the Decision of the Court of Appeals for the Seventh Circuit..... | 3 |
| Conclusion | 4 |

CITATIONS.

Cases.

| | |
|---|------|
| G. & C. Merriam Company v. Saalfeld et al., 241 U. S. 22, 60 L. Ed. 868, 36 S. Ct. 477 (1916)..... | 2, 3 |
| Ocean Accident & Guarantee Corp. v. <u>Felgemaker</u> , 143 F. 2d 950 (6th Cir. 1944)..... | 3, 4 |
| Redman v. Stedman Manufacturing Company, 181 F. Supp. 5 (M. D. N. C. 1960)..... | 2, 4 |

IN THE
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OCTOBER TERM, 1960.

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Petitioners,

vs.

PETER ECKRICH & SONS, INC., AND THE ALL-
BRIGHT-NELL COMPANY,

Respondents.

**REPLY TO RESPONDENTS' BRIEF IN OPPOSITION
TO PETITION FOR CERTIORARI.**

Respondents' brief in opposition to the petition for certiorari incompletely phrases the question presented, relies on a decision that is not applicable to the instant situation and which was not even considered worth mentioning by the Court of Appeals even though it was argued at length before that Court, and presents fallacious arguments when it contends that the decisions cited in enumerated point 2 of Petitioners' reasons for granting the writ do not clearly conflict in result with the decision reached by the Court of Appeals for the Seventh Circuit in the above-entitled suit.

SPECIFIC ERRORS IN RESPONDENTS' BRIEF.

1. The Respondents' Brief Does Not Accurately State the Question Presented.

Page 2 of Respondents' brief does not accurately state the question presented.

Respondents' phrasing of the question presented avoids pointing out that Allbright-Nell openly defended on behalf of Eckrich (and in Allbright-Nell's own interest) and controlled the defense, *after* it had been named as a party in each of the suits. By omitting reference to the fact that Allbright-Nell's open and full control of the suits continued *after* it was named as a party thereto, Respondents attempt to escape the consequences of their continued puppeteering.

Once a defendant has been named as a party of record, clearly the court has jurisdiction to make findings concerning whether or not it is, in fact, present before the court.

2. *Merriam v. Saalfield et al.*, 241 U. S. 22, Is Not Applicable.

On page 3 of Respondents' brief in opposition to the petition for writ of certiorari, they assert with respect to Reason No. 1 that the basic issue here presented has been adjudicated in *G. & C. Merriam Company v. Saalfield et al.*, 241 U. S. 22, 60 L. Ed. 868, 36 S. Ct. 477 (1916).

This assertion is without merit. The Court of Appeals did not even consider the *Merriam* case worth mentioning in its decision, despite the fact that it was presented and argued at length before that Court. The *Merriam* case was, likewise, disposed of by the court in *Redman v. Stedman Manufacturing Company*, 181 F. Supp. 5, 43 (M. D. N. C.—1960).

In *Merriam v. Saalfield*, the only issue before the Court was whether or not the doctrine of *res judicata* was applicable to the supplemental or ancillary proceedings. The acts relied upon *preceded* the naming of the party to the suit.

The suit was originally brought against Saalfield in Ohio for unfair competition. The bill was dismissed, but on appeal was reversed and remanded to the district court with instructions to enter an injunction and take an accounting. The district court made a decree in accordance with this mandate.

The Supreme Court held that there was not yet a *res judicata* on the basis of which supplemental or ancillary proceedings may be filed. No effort was made to join Ogilvie as a party in the original proceeding. The Court held it was not proper to insert Ogilvie in a subsequent proceeding on the basis of the record before it.

3. The Results Reached in the Decisions Cited in Point 2 of Petitioners' Reasons for Granting the Writ Are in Clear Conflict With the Decision of the Court of Appeals for the Seventh Circuit.

Starting on page 3, Respondents argue with respect to Reason No. 2 that the decisions cited by Petitioners in point 2 of Petitioners' reasons for granting the writ differ from the decision of the Circuit Court in "mere differences in reasoning." Petitioners have not relied on mere differences of reasoning, although they too exist, but instead rely upon differences or conflicts in *results*. On page 4 of their brief, Respondents then admit that the decisions cited by Petitioners are not in "perfect harmony" with the Circuit Court's decision.

Judge Platt's dissenting opinion (App. 6A-10A) points out that the decisions of *Ocean Accident & Guarantee Corp.*

v. *Felgemaker*, 143 F. 2d 950 (6th Cir. 1944), and *Redman v. Stedman*, 181 F. Supp. 5 (M. D. N. C.—1960), are controlling, and he thus rendered a decision that conflicts in *result* with that given by the majority of judges.

CONCLUSION.

It is respectfully requested that the petition for writ of certiorari be granted for the reasons set forth in the petition for writ of certiorari.

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U.S. Supreme Court, U.S.

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JAMES R. BROWNING, Clerk

IN THE

Supreme Court of the United States

October Term, 1960.

No. 219

CARE SCHNELL AND THE GRIFFITH LABORATORIES, INC.

Petitioners.

PETER ECKRICH & SONS, INC. AND THE ALL-BRIGHT NELL COMPANY.

Respondents.

BRIEF OF PETITIONERS.

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INDEX.

| | PAGE |
|----------------------------|------|
| Citations | ii |
| Opinions Below | 1 |
| Jurisdiction | 2 |
| Question Presented | 2 |
| Statement of the Case..... | 2 |
| Argument | 5 |
| The Prior Authorities..... | 7 |
| Conclusion | 11 |

CITATIONS.

Cases.

| | |
|--|----------|
| Dicks Press Guard Mfg. Co. v. Bowen, 229 Fed. 193 (D. C. N. Y.—1916)..... | 7 |
| Doherty Research Co. v. Universal Oil Products Co., 107 F. 2d 548, 549 (C. A. 7—1939)..... | 7 |
| Eagle Manuf'g. Co. v. Miller, 41 Fed. 351, 357, 358 (C. C. S. D. Iowa E. D.—1890)..... | 8, 10 |
| Esquire, Inc. v. Varga Enterprises, 81 F. Supp. 306, 307 aff'd 185 F. 2d 14 (C. A. 7—1950)..... | 8, 9 |
| Freeman-Sweet Co. v. Luminous Unit Co., 264 Fed. 107 (C. A. 7—1920)..... | 9 |
| G. & C. Merriam Co. v. Saalfeld, 241 U. S. 22, 60 L. Ed. 868, 36 S. Ct. 477 (1916)..... | 10 |
| General Electric Co. v. Marvel Rare Metals Co., 237 U. S. 430, 53 S. Ct. 202, 77 L. Ed. 408 (1932)..... | 7 |
| Gulf Smokeless Coal Co., et al. v. Sutton, Steele & Steele, et al., 35 F. 2d 433 (C. A. 4—1929)..... | 7, 8, 9 |
| Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc., 116 F. 2d 845 (C. A. 2—1941)..... | 9 |
| Neirbo Co. v. Bethlehem Shipbuilding Corp., 308 U. S. 165, 168, 60 S. Ct. 153, 155, 84 L. Ed. 167 (1939)..... | 7 |
| Ocean Accident & Guarantee Corp. v. Felgemaker, 143 F. 2d 950 (C. A. 6—1944)..... | 7, 9, 10 |
| Redman v. Stedman Manufacturing Company, 181 F. F. Supp. 5 (D. C. N. C.—1960)..... | 8, 9, 10 |
| Schnell v. Peter Eckrich & Sons, Inc., 279 F. 2d 594 (C. A. 7, 1960), cert. granted R. 22, U. S. L. Ed. 2d | 1, 2, 4 |

| | |
|--|---|
| The Dow Chemical Company v. Mellon Corporation, et al., 281 F. 2d 292, 297 (C. A. 4—1960) | 8 |
|--|---|

| | |
|---|------|
| The University of Illinois Found. v. Block Drug Co., 133 F. Supp. 580, 581, 583, aff'd 241 F. 2d 6 (C. A. 7—1957) | 8, 9 |
|---|------|

Statutes.

| | |
|-------------------------------------|---|
| 28 U. S. C., Sec. 1254(1) | 2 |
|-------------------------------------|---|

| | |
|-------------------------------------|---|
| 28 U. S. C., Sec. 1292(b) | 3 |
|-------------------------------------|---|

| | |
|-------------------------------------|---|
| 28 U. S. C., Sec. 1338(a) | 2 |
|-------------------------------------|---|

Miscellaneous Citations.

| | |
|---|---|
| "Federal Rules of Civil Procedure," Rule 17 | 6 |
|---|---|

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|---|---|
| "Federal Rules of Civil Procedure," Rule 24 | 6 |
|---|---|

IN THE
Supreme Court of the United States

OCTOBER TERM, 1960.

No. 219.

CARL SCHNELL, AND THE GRIFFITH LABORA-
TORIES, INC.,

Petitioners,

vs.

PETER ECKRICH & SONS, INC., AND THE ALI-
BRIGHT-NELL COMPANY,

Respondents.

BRIEF OF PETITIONERS.

OPINIONS BELOW.

The District Court gave no opinion. Its findings of fact and conclusion of law in each case (C. A. 1128, Appeal 12902: R. 6-9; C. A. 1184, Appeal 12901: R. 1-4) will be found at R. 1-4 and 6-9.

The opinions of the U. S. Court of Appeals for the Seventh Circuit of June 20, 1960, are reported at 279 F. 2d 594, and are printed at pages 1-A to 10-A of the Appendix to the Petition for Certiorari and at R. 11-19.

JURISDICTION.

The judgments of the United States Court of Appeals for the Seventh Circuit were made and entered on June 20, 1960 (C. A. 1128, Appeal 12902: R. 21; C. A. 1184, Appeal 12901: R. 20).

The jurisdiction of this Court was invoked under 28 U. S. C., Section 1254(1). Certiorari was granted on October 10, 1960, and is printed at R. 22 and reported at U. S. : L. Ed. 2d :.

QUESTION PRESENTED.

Did The Allbright-Nell Company enter a general appearance in each of consolidated cases C. A. 1128 and C. A. 1184 (consolidated Appeals 12902 and 12901, respectively) by openly defending on behalf of Peter Eckrich & Sons, Inc. (and in its own interest) and controlling the defense, *after* it had been named as a party in each of these suits?

STATEMENT OF THE CASE.

The instant appeal (No. 219) involves a review of consolidated Appeals 12901 and 12902 from the Court of Appeals for the Seventh Circuit.

The appeals to the Court of Appeals were taken in two actions brought in the District Court for the Northern District of Indiana by The Griffith Laboratories, Inc. and Carl Schnell against defendants, Peter Eckrich & Sons, Inc., an Indiana corporation, and The Allbright-Nell Company, an Illinois corporation, for infringement of certain patents. Federal jurisdiction was based on 28 U. S. C., Section 1338(a). The first case filed (C. A. 1128, Appeal 12902) involved Patents 2,840,318 and 2,842,177, and was originally brought on February 13, 1959, only against the Eckrich concern, but The Allbright-Nell Company was joined by an

amended complaint on April 30, 1959. The second suit (C. A. 1184, Appeal 12901) was brought on Patent 2,906,310, and was filed on September 30, 1959, immediately after the issuance of that patent. Both defendants were named in this complaint. In each case it is asserted that the defendants conspired to infringe the patents.

It is conceded for the purposes of this record that The Allbright-Nell Company does not have a place of business in the State of Indiana. The Allbright-Nell Company acknowledged that it had a contract with Eckrich to indemnify it and to take over the defense and control of the cases, and that it was, in fact, so doing (e.g., C. A. 1128, Appeal 12902: R. 6, 7; C. A. 1184, Appeal 12901: R. 2). In each case The Allbright-Nell Company was served in Illinois, but no claim to jurisdiction is based upon that service, as such. The sole basis asserted for jurisdiction over The Allbright-Nell Company is that it, by controlling the defense, was in fact presenting itself before the Court to protect its own interests as well as those of Eckrich, and that such action, *after* being named as a party in the suits, constituted a general appearance.

The foregoing facts are well set forth in the findings of fact of the District Court (C. A. 1128, Appeal 12902: R. 6-8; C. A. 1184, Appeal 12901: R. 1-3), as to which there is no dispute.

The District Court granted the motion of Allbright-Nell, filed in each case, to quash a summons served on it in Illinois and to dismiss it from the action on the ground that it was not subject to suit in the Northern District of Indiana. The Court of Appeals granted petitions of Plaintiffs-Petitioners to appeal pursuant to 28 U. S. C. 1292(b), the District Court having properly certified in each case.

Since a common issue was involved in both appeals and the appropriate facts relating thereto are the same, on March 9, 1960, the Court of Appeals granted Petitioners'

motion to consolidate Appeal No. 12901 and Appeal No. 12902.

An appeal hearing was held on May 6, 1960. On June 20, 1960, the Court of Appeals rendered its opinion (279 F. 2d 594) in which it affirmed the District Court rulings (R. 11-15), with Judge Platt dissenting (R. 15-19). Judgments were rendered the same day (Appeal 12901: R. 20; Appeal 12902: R. 21).

Plaintiffs filed a Petition for a Writ of Gertiorari with this Court on July 7, 1960, requesting a review of the judgments of the U. S. Court of Appeals for the Seventh Circuit, which Petition was granted on October 10, 1960 (R. 22, _____ U. S. _____, _____ L. Ed. 2d _____).

ARGUMENT.

Since the lower courts are divided, the question before this Court is essentially one of determining which of two positions is the most consistent with justice to all parties.

Plaintiffs-Petitioners contend that when a named party cannot properly be served, but is actually present in Court openly controlling the defense of the lawsuit for a party who has been served; is using the processes of the Court for his own benefit; and will confessedly be bound by the decision of the Court, such party should not be treated as if he were not there when it comes to applying the processes of the Court, on behalf of plaintiff.

Allbright-Nell contends that so long as it does not sign a piece of paper called an "appearance," it can take full advantage of the judicial processes of the District Court; can run the litigation for defendant Eekrjeh and for its own benefit; but can be utterly immune to the processes of the Court of which it is taking advantage.

This position is not just. It puts form before substance. It makes it possible for Allbright-Nell to start further litigation against Petitioners in another state, involving some of the same subject matter involved in the Indiana litigation, and to put Petitioners to double expense, and to place two judges in a competition for a first trial.

Allbright-Nell says that if its position is not recognized, it will be put to two serious disadvantages, namely, that an accounting can be had in a state remote from its residence and, secondly, that while it is now in the control of the case, that control might be taken from it.

Each of these objections is trivial.

As far as the out-of-state accounting is concerned, Allbright-Nell has not hesitated to come into Indiana on the much more complex merits of the case. If the accounting should turn out to be a lengthy proceeding, the District Court may readily appoint a master who can hear proceedings in the best location.

The chance that its control might be cancelled is the same chance that any defendant takes who intervenes in a case. Being a party, it would still control its own part of the case. The District Court, if there were any injustice resulting in such a situation, could undoubtedly take care of it by protective orders or, in a proper case, by transfer of that part of the case to a more convenient state.

On the other hand, the purpose of the Federal Rules of Civil Procedure is to reduce litigation, not to extend it. Not only does Allbright-Nell's position multiply litigation, but even in the event that no other litigation be required, it would remove from a plaintiff the benefit of the discovery provisions of the Federal Rules of Civil Procedure.

Rule 24, 28, U. S. C. A., gives a person in the position of Allbright-Nell the right to intervene, at least by permission of the Court.

Rule 17, 28 U. S. C. A., requires that action be prosecuted in the name of the real party in interest. In the present case Allbright-Nell filed a counterclaim in the name of Peter Eckrich & Sons, Inc., in which the real party in interest was Allbright-Nell Company, and it sought relief in that counterclaim which could only go to the benefit of Allbright-Nell Company, since it requested costs and attorneys' fees which are being paid by Allbright-Nell. Such a procedure is clearly an imposition on the court and on the plaintiffs.

In *Dicks Press Guard Mfg. Co. v. Bowen*, 229 Fed. 193 (D. C. N. Y.—1916), the Court said at page 196:

"It would seem plain that the court ought to know what parties, either complainant or defendant, are before it and entitled to be heard, and that the record itself should show this. One of the most vicious things connected with a litigation, either civil or criminal, is the operation of influences from and the recognition of interested persons not appearing as parties on the record. Those who are to be heard at all and recognized in bringing out and considering the merits of a controversy should be parties of record. * * *"

It is hornbook law that a court judges the actions of a party by what he does and not by what he says. This is particularly true under modern practice where the former "hide-and-seek" tactics of parties are supposed to be eliminated. See *Doherty Research v. Universal Oil Products*, 107 F. 2d 548 at 549 (C. A. 7—1939).

It is clear that venue may be waived by formal submission in a cause or by submission through conduct. *Neirbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U. S. 165, 168, 60 S. Ct. 153, 155, 84 L. Ed. 167 (1939); *General Electric Co. v. Marvel Rare Metals Co.*, 287 U. S. 430, 77 L. Ed. 408 (1932); *Gulf Smokeless Coal Co., et al. v. Sutton, Steele, & Steele, et al.*, 35 F. 2d 433 (C. A. 4—1929).

The Prior Authorities.

The prior authorities are divided.

In *Ocean Accident & Guarantee Corp. v. Felgemaker*, 143 F. 2d 950 (C. A. 6—1944), the plaintiffs filed a motion to subject the nonresident insurance company to the jurisdiction of the court pursuant to Rule 4 of the Federal Rules of Civil Procedure, 28 U. S. C. A., and then served summons in Illinois, just as was done in the present actions. The summons was quashed but the Court held that it had jurisdiction of Inter-Insurance Company because

of its control of the case and the court entered judgment against it.

In each of *Esquire, Inc. v. Varga Enterprises*, 81 F. Supp. 306, 307, aff'd 185 F. 2d 14 (C. A. 7—1950), and *University of Illinois Foundation v. Block Drug Co.*, 133 F. Supp. 580, 581, 583, aff'd 241 F. 2d 6 (C. A. 7—1957), the nonresident defendant was conducting the defense and was found to be before the Court on that account. Both of these cases were appealed, but in neither case was the point raised upon appeal.

In *Eagle Manuf'g. Co. v. Miller*, 41 Fed. 351, 357, 358 (C. S. D. Iowa E. D.—1890), reversed on other ground at 151 U. S. 186, it does not appear at what stage the complaint was amended to include the nonresident defendant that controlled the defense, but since the decision states that said defendant never answered the bill, it would appear that it was early in the proceedings. In this decision, it was set forth in the decree that the nonresident defendant was bound by the results.

In *Redman v. Stedman Manufacturing Company*, 181 F. Supp. 5 (D. C. N. C.—1960), the nonresident company was Tubular Textile Machinery Corporation. It openly assumed the defense but was not served with process and was not named as a party. The judgment, however, restrained that corporation, as a privy, because of its control of the case. The Court found this is to be proper, after a careful review of all of the authorities.

The case of *The Dow Chemical Company v. Mellon Corporation, et al.*, 281 F. 2d 292, 297 (C. A. 4—1960), was reported after the granting of the Petition for Certiorari in the instant case. In that case, relying upon the dictum of *Gulf Smokeless Coal Co. v. Sutton, Steele & Steele*, 35 F. 2d 433 (C. A. 4—1929), the Court held that a nonresident party defending on behalf of a resident defendant

did not thereby enter a general appearance. The Court did not refer to the present case, the *Ocean Accident* case, the *Esquire* case, the *University of Illinois Foundation* case, or even the *Redman* decision from its own district court. There was no reference in the briefs of the plaintiff-appellant, in that case, to any of these decisions.

The *Redman* decision did refer to *Gulf Smokeless Coal Co. v. Sutton, Steele & Steele*, 35 F. 2d 433 (C. A. 4—1929); and the Court pointed out correctly that venue was a matter of privilege which could be waived, and held that under the doctrine of the *Ocean Accident* case (143 F. 2d 950) that it had been waived by assuming the defense of the case.

In *Freeman-Sweet Co. v. Luminous Unit Co.*, 264 Fed. 107 (C. A. 7—1920), the nonresident defendant was named as a party only at the final hearing, and it was held improper for this to be done even though it was controlling the defense of the lawsuit.

The decisions which permit inclusion of the nonresident defendant as a defendant, even though not named as a party, go beyond what is requested by Petitioners here, or what is necessary to a reversal here, since they involve the problem of lack of identity (with resulting possible collateral attack). Without having the defendant named as a party, there may be a gap in proving that he was present, as indicated by Judge Learned Hand in *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.*, 116 F. 2d 845 (C. A. 2—1941).

It is, of course, quite customary and proper for an injunction to be directed toward the defendant and those in privity with defendant. If, in fact, the nonresident defendant was controlling the case, then it would seem that he was in privity with the named defendant and would be subject to the injunction, although normally it would be

necessary to make proof of this in an appropriate proceeding naming him.

In the present case, as in the *Ocean Accident* and *Eagle* cases, the nonresident-named defendant was actually served with process in each of the actions so that his special appearance is in each case, and there is no question of identity or of collateral attack.

G. & C. Merriam Co. v. Saalfield, et al., 241 U. S. 22, 60 L. Ed. 868, 36 S. Ct. 477 (1916), upon which our opponents have relied, is not in point. The Seventh Circuit Court of Appeals did not even consider that decision worth mentioning despite the fact that it was presented and argued at length before that Court. The *Merriam* case was, likewise, disposed of at page 43 of the *Redman* decision, cited *supra*. The *Merriam* case merely decided when a *res judicata* became effective.

CONCLUSION.

Petitioners' position puts Allbright-Nell exactly where a forthright defendant would have been put upon intervention. We see no reason why justice would be promoted by giving greater protection to a manufacturer who chooses to act as a puppeteer instead of intervening, than would be given to the forthright-intervenor. Such a manufacturer seeks all of the benefits, while avoiding all of the responsibilities except an ultimate *res judicata*.

Allbright-Nell, by its conduct as a named party, is actually present in Court acting in its own interests and on its own behalf. It should be held to have waived any objection to venue and to have submitted itself to the jurisdiction of the Court.

Therefore, it is submitted that the decision of the Court of Appeals for the Seventh Circuit be reversed.

Respectfully submitted,

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1960

NO. 219

CARL SCHNELL and THE GRIFFITH
LABORATORIES, INC.,

Petitioners,

vs.

PETER ECKRICH AND SONS, INC., and
THE ALLBRIGHT-NELL COMPANY,

Respondents.

BRIEF FOR RESPONDENT

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INDEX

| | PAGE |
|---|------|
| QUESTION PRESENTED | 1 |
| SUMMARY OF ARGUMENT | 2 |
| ARGUMENT | 4 |
| I. The Congressional Intent To Limit Venue In Patent Cases To Districts Convenient To Defendants Has Long Been Recognized And Respected By This Court..... | 4 |
| II. There Are Many Practical Reasons For A Manufacturer's Desire To Defend Its Customer While Refusing To Appear As A Party Of Record In An Inconvenient Forum Lacking Venue And Personal Jurisdiction..... | 4 |
| III. The Decision Below Accords With The Prece- dents In This Court And The Patent Decisions In The Courts Of Appeals..... | 6 |
| IV. The Rule Applied Below Is Sound And Should Not Be Altered..... | 17 |
| CONCLUSION | 19 |

CITATIONS

CASES

| | |
|--|----|
| Battey et al. v. Paris Beauty Parlors Supply Co. of San Francisco Limited, 4 F.Supp. 531 (N.D. Calif., S.D., 1933) | 13 |
| Bidwell et al. v. Toledo Consol. St. Ry. Co., 72 Fed. 10 (C.C.N.D. Ohio, W.D., 1896) | 10 |
| Builders & Mfrs. Mut. Casualty Co. v. Preferred Auto- mobile Ins. Co., 118 F.2d 118 (C.C.A. 6, 1941) | 17 |

| | |
|--|--------------------|
| Doherty Research Co. v. Universal Oil Products Co., 107 F.2d 548 (C.C.A. 7, 1939)..... | 13 |
| The Dow Chemical Company v. Metlon Corporation et al., 281 F.2d 292 (C.A. 4, 1960)..... | 3, 11 |
| Eagle Manuf'g Co. v. Miller et al., 41 Fed. 351 (C.C. S.D. Iowa, E.D., 1890), <i>reversed</i> , 151 U.S. 186, 14 S.Ct. 310 (1894)..... | 14 |
| Esquire, Inc. v. Varga Enterprises, Inc. et al., 81 F.Supp. 306 (N.D. Ill., E.D., 1948), <i>affirmed</i> , 185 F.2d 14 (C.A. 7, 1950)..... | 13 |
| Fourco Glass Company v. Transmirra Products Cor- poration, et al., 353 U.S. 222, 77 S.Ct. 787 (1957)..... | 2, 3, 4, 17 |
| Freeman-Sweet Co. et al. v. Luminous Unit Co., 264 Fed. 107 (C.C.A. 7, 1919)..... | 3, 10, 12 |
| Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co., 342 U.S. 180, 72 S.Ct. 219 (1952)..... | 6 |
| S. S. Kresge Co. et al. v. Winget Kickernick Co. et al., 96 F.2d 979 (C.C.A. 8, 1939)..... | 3, 11, 12, 13 |
| William R. Lovejoy, et al. v. Edward D. Murray, 3 Wall. 1, 19, 18 L.Ed. 129 (1866)..... | 7, 14 |
| Maryland Casualty Co. v. Pacific Coal & Oil Co. et al., 111 F.2d 214 (C.C.A. 6, 1940)..... | 17 |
| Maulsby v. Conzevoy, 161 F.2d 165 (C.C.A. 9, 1947) .. | 13 |
| G. & C. Merriam Company v. Arthur J. Saalfield et al., 241 U.S. 22, 36 S.Ct. 477 (1916)..... | 3, 7, 8, 9, 10, 12 |
| Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc., 116 F.2d 845 (C.C.A. 2, 1941)..... | 12, 13 |
| N. O. Nelson Mfg. Co. v. F. E. Meyers & Bro. Co., 25 F.2d 659 (C.C.A. 6, 1928)..... | 12 |
| Ocean Accident & Guarantee Corporation, Limited v. Felgeimaker et al., 143 F.2d 950 (C.C.A. 6, 1944) .. | 3, 14, 15, 16, 17 |

PAGE

| | PAGE |
|--|-------|
| Olberding et al. v. Illinois Cent. R. Co., Inc., 346 U.S. 338, 74 S.Ct. 83 (1953)..... | 3, 17 |
| Parsons Non-Skid Co., Limited et al. v. E. J. Willis Co., 176 Fed. 176 (C.C.S.D. N.Y., 1909)..... | 10 |
| Radio Corporation of America et al. v. E. J. Edmond & Co., Inc., 20 F.2d 929 (S.D. N.Y., 1927)..... | 10 |
| Frank R. Redman, et al. v. Stedman Manufacturing Company, 181 F.Supp. 5 (M.D. N.C., Greensboro Div., 1960) | 14 |
| Reinharts Inc. v. Caterpillar Tractor Co., 99 F.2d 648 (C.C.A. 9, 1938)..... | 13 |
| Souffront v. LaCompagnie Des Sucreries De Porto Rico, 217 U.S. 475, 30 S.Ct. 608 (1910)..... | 7 |
| Stonite Products Co. v. Melvin Lloyd Co. et al., 315 U.S. 561, 62 S.Ct. 780 (1942)..... | 2, 4 |
| The University of Illinois Foundation v. Block Drug Co., et al., 133 F.Supp. 580 (E.D. Ill., 1955), <i>affirmed</i> 241 F.2d 6 (C.A. 7, 1957)..... | 13 |
| Van Kannel Revolving Door Co. v. Winton Hotel Co., 263 Fed. 988 (N.D. Ohio, E.D., 1920)..... | 10 |

UNITED STATES STATUTES

| | |
|--------------------------------|----------|
| 28 U.S.C. Section 1400(b)..... | 2, 4, 17 |
| 28 U.S.C. Section 1391(e)..... | 4 |
| 35 U.S.C. Section 286..... | 6 |

MISCELLANEOUS

| | |
|---|----|
| Page's Ohio General Code Annotated, Volume Six, 1938 | 15 |
|---|----|

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1960

NO. 219

CARL SCHNELL and THE GRIFFITH
LABORATORIES, INC.,

Petitioners,

vs.

PETER ECKRICH AND SONS, INC., and
THE ALLBRIGHT-NELL COMPANY,

Respondents.

BRIEF FOR RESPONDENT*

Petitioners have correctly referred to the opinion below. Their statement of jurisdiction and statement of the case need no elaboration or correction.

QUESTION PRESENTED

Did the assumption of the defense of Peter Eckrich and Sons, Inc. by The Allbright-Nell Company constitute, as a matter of law, a submission to the jurisdiction of the District Court and a waiver of the statutory venue require-

* While the Petition names two respondents, it involves a procedural question the determination of which can only affect The Allbright-Nell Company. This brief will, therefore, use the term "Respondent" only with reference to The Allbright-Nell Company and will refer to the other named respondent, Peter Eckrich and Sons, Inc., as the Defendant.

ments of 28 U.S.C. Section 1400(b)* in spite of the fact that The Allbright-Nell Company promptly moved for, and the District Court ordered, a dismissal of the complaint for lack of venue.

SUMMARY OF ARGUMENT

The venue provisions relating to patent cases are intended to prevent the institution of patent infringement actions in far-flung jurisdictions which would be burdensome and harassing to the defendant. This purpose and the Congressional intent have been carefully reviewed and respected by this Court in *Stonite Products Co. v. Melvin Lloyd Co. et al.*, 315 U.S. 561, 62 S.Ct. 780 (1942) and in *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957). A course of conduct, open and avowed control of the defense, which is coupled with a refusal to waive the privilege of the venue statute, should not now be held to be an involuntary waiver.

There are many practical reasons why a manufacturer, desiring to defend its customer, refuses to appear as a party in an improper forum. These have to do with unforeseeable changes in the relationships of the parties and the businesses involved; the expansion of the scope of the litigation which would occur, if the manufacturer's entire line of alleged infringing products were brought into the litigation; questions of accounting; and the preservation of the manufacturer's right, by declaratory judgment or otherwise, to litigate in an appropriate and convenient forum.

* 28 U.S.C. Section 1400(b): "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

The decision below is in accord with prior decisions of this Court and the Courts of Appeals as expressed in *G. & C. Merriam Company v. Arthur J. Saalfield et al.*, 241 U.S. 22, 36 S.Ct. 477 (1916); *Freeman-Sweet Co. et al. v. Luminous Unit Co.*, 264 Fed. 107 (C.C.A. 7, 1919); *S. S. Kresge Co. et al. v. Winget Kickernick Co. et al.*, 96 F.2d 979 (C.C.A. 8, 1939) and *The Dow Chemical Company v. Metton Corporation et al.*, 281 F.2d 292, 297 (C.A. 4, 1960). The rule that a judgment if and when obtained will be binding on a privy who has openly controlled the defense of a case does not make the privy a party to the original action.

The case of *Ocean Accident & Guarantee Corporation, Limited v. Felgemaker et al.*, 143 F.2d 950 (C.C.A. 6, 1944) upon which Petitioners rely, is either distinguishable on its facts, and the effect thereon of the Ohio insurance law, or is erroneous.

The rule applied below is sound. Statutory venue requirements in patent infringement cases are clear and specific. *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957). Venue requirements are not vague principles which, in the interests of some overriding policy, are to be given a liberal construction. *Olberding et al. v. Illinois Cent. R. Co., Inc.*, 346 U.S. 338, 340, 74 S.Ct. 83, 84 (1953).

ARGUMENT

I. The Congressional Intent To Limit Venue In Patent Cases To Districts Convenient To Defendants Has Long Been Recognized And Respected By This Court.

The development of the venue provisions and the Congressional intent in regard to patent infringement actions under the statutes then in force are reviewed at length by this Court in *Stonite Products Co. v. Melvin Lloyd Co. et al.*, 315 U.S. 561, 62 S.Ct. 780 (1942). More recently this Court in *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957) rejected an attempt to broaden the patent venue statute (now 28 U.S.C. Section 1400(b)) by reference to the general venue statute 28 U.S.C. Section 1391(e).*

Petitioners here seek to escape the clear provisions of the patent venue statute on the basis of a so-called course of conduct, in the face of Respondent's specific refusal to waive venue. Petitioners' assertion that Allbright-Nell's "position is not just" (Petitioners' Brief, p. 5) ignores the fact that it became necessary for Allbright-Nell to take such a position only because of Petitioners' decision to bring these actions in a District where Allbright-Nell is not sueable.

II. There Are Many Practical Reasons For A Manufacturer's Desire To Defend Its Customer While Refusing To Appear As A Party Of Record In An Inconvenient Forum Lacking Venue And Personal Jurisdiction.

The fact situation here presented is quite ordinary. A patent owner has sued the user of an allegedly infringing

* 28 U.S.C. Section 1391(e): "A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes."

article in a judicial district where jurisdiction and venue over the manufacturer of the accused article cannot be obtained. Business necessities have compelled the manufacturer to assume the defense of its customer but the manufacturer, for very practical reasons, is unwilling to waive its objections to service of process and improper venue and appear as a party of record.

The reasons which have induced the manufacturer to abstain from becoming a formal party to the record are many and sound. First, the manufacturer wants to reserve the right to relinquish control of the defense and withdraw from the litigation if changes in circumstances make this desirable. Thus, the user of the accused item might go out of business, or the manufacturer might abandon the production of the accused item. The relationship between the manufacturer and the user might deteriorate, e.g., by the latter's breach of the defense agreement. The user might take up the manufacture of the accused item, or might begin to purchase this item from a competitor of the defending manufacturer. The plaintiff patent owner might acquire control of the defendant user. These, and probably many other contingencies could eliminate or supersede the reasons which originally prompted the manufacturer's participation in the defense.

Second, the manufacturer may produce a number of different types of the allegedly infringing devices, while his customer has only used one or a few of these types. If the manufacturer waived his venue objection and became a formal defendant, the scope of the infringement issue in the action could be extended to encompass his entire production. Such an extension of the action in an improper and inconvenient forum would greatly and unnecessarily burden the manufacturer who is primarily interested in protecting his customer.

Third, by voluntarily appearing as a party of record the manufacturer runs the risk of being forced to go through an accounting in a distant and inconvenient forum. The manufacturer has no advance assurance that the district court, even if it had the authority, would be inclined to order a master to conduct the accounting outside the judicial district in which the court sits.

Fourth, the refusal of the manufacturer to make a voluntary appearance in a forum where he is not subject to personal jurisdiction and venue may induce the plaintiff patent owner to proceed against the manufacturer in the appropriate forum. This is particularly true if the patent owner by postponing the filing of an action in a proper forum against the manufacturer would forfeit the right to damages for any infringement committed more than six years prior to the filing of such an action, 35 U.S.C. 286.* Moreover, the plaintiff is less likely to select an inappropriate forum if the manufacturer can relinquish control of the defense of the action, in which case the judgment would not be *res judicata* against him. By refusing to become a formal party to the action the manufacturer also reserves his right to institute a declaratory judgment suit against the patent owner in an appropriate and convenient forum, *Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co.*, 342 U.S. 180, 186, 72 S.Ct. 219, 222 (1952).

III. The Decision Below Accords With The Precedents In This Court And The Patent Decisions In The Courts Of Appeals.

The decision below recognizes the justifiable interest of a manufacturer in defending his customer against a patent infringement action without becoming a party defendant.

* 35 U.S.C. Section 286: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."

and waiving its objections to venue and service of summons. The opinion below correctly follows the law developed by this Court and the Courts of Appeals.

The control of the defense of an action by one not a defendant of record is not a new phenomenon. *William R. Lovejoy, et al. v. Edward D. Murray*, 3 Wall. 1, 19, 18 L.Ed. 129, 134 (1866) appears to be the first decision of this Court holding that a party who controlled the defense in a case* is precluded from relitigating in a second action the issues adjudicated in the first one. The same rule was applied in *Souffront v. LaCompagnie Des Sucreries De Porto Rico*, 217 U.S. 475, 487, 30 S.Ct. 608, 612 (1910) where the Court said**:

"The case is within the principle that one who prosecutes or defends a suit in the name of another, to establish and protect his own right, or who assists in the prosecution or defense of an action in aid of some interest of his own, and who does this openly, to the knowledge of the opposing party, is as much bound by the judgment, and as fully entitled to avail himself of it, as an estoppel against an adversary party, as he would be if he had been a party to the record. *Lovejoy v. Murray*, 3 Wall. 1, 18 L.Ed. 129."

It will be noted that in the two cases discussed the first litigation had terminated before the judgment was enforced against the privy. An unsuccessful attempt to make the privy a formal defendant before the conclusion of the original action was made in *G. & C. Merriam Company v. Arthur J. Saalfield et al.*, 241 U.S. 22, 36 S.Ct. 477 (1916). In that case, the sole named defendant Saalfield was enjoined from and ordered to account for acts of unfair competition committed in the business of publishing and selling dictionaries. While the accounting was in progress the plaintiff filed a supplemental bill to have one Ogilvie

* The suit was in trespass against a joint tortfeasor.

** The action involved title to land.

joined as a defendant. The supplemental bill alleged that Ogilvie was the proprietor of the accused dictionaries which were published and sold for his benefit by Saalfield. It was also alleged that Ogilvie had at all times controlled and financed the defense of the suit. Summons served on Ogilvie was quashed pursuant to his motion. From the District Court's refusal to join Ogilvie, an appeal was taken to the Supreme Court. The appellant's argument was substantially the same as the one presented here by Petitioners (241 U.S. 27):

“Appellant's case upon the merits is rested upon the theory that Ogilvie was ~~not~~ privy to the original suit against Saalfield, and an actual though not an ostensible party thereto, in such a real sense that the final decree therein would be *res judicata* against him; that the district court had jurisdiction to entertain the suit as against him notwithstanding he resided outside the district, because by voluntarily coming in and defending for Saalfield, he had submitted to the jurisdiction and waived the objection, and because the supplemental bill was a dependent and ancillary proceeding, and therefore properly brought in the district wherein the original proceeding was pending; * * *” (Emphasis added).

This Court rejected this argument and unanimously affirmed the orders of the District Court, saying (241 U.S. 28, 29):

“This sufficiently shows the weakness of appellant's position, which, upon analysis, is found to be this: that upon the theory that Ogilvie would be estopped by a final decree if and when made, it sought to bring him into the suit, before final decree, as if he were already estopped. However convenient this might be to a complainant in appellant's position, it is inconsistent with elementary principles.” (Emphasis added).

The differences between *Merriam v. Saalfield* and the present case are accidental or inconsequential. There, a supplemental bill was used in the attempt to make Ogilvie a formal defendant, while Petitioners here filed an amended complaint in Civil Action 1128 and named Allbright-Nell as a defendant in their original complaint in Civil Action 1184. These differences go merely to procedural form and cannot distinguish the present case from *Merriam v. Saalfield*.

In the *Merriam* case the attempt to bring the privy into the action was not made until after the District Court had issued an injunction and ordered an accounting, pursuant to the mandate of the Circuit Court of Appeals. Thus, the litigation had been substantially completed on the merits, even though technically the *res judicata* doctrine could not yet be invoked. In the cases at bar Petitioners sought to avail themselves of the privity doctrine immediately upon or shortly after the filing of their original complaints. Thus, they were more precipitate and have a still weaker case than the plaintiff in *Merriam v. Saalfield*.

Finally, Petitioners have emphasized an unmeritorious distinction in their formulation of the question presented. *Merriam v. Saalfield* does not disclose whether the privy continued to control the defense after having been named in the supplemental bill. In the instant cases (Findings No. 4 R. 2, 6) Allbright-Nell controlled the defense, when its motions to dismiss were granted. Why this distinction should be decisive has not been explained by Petitioners. Respondent can see no reason why the open assumption of the defense of an action should be construed as a waiver of objections to venue and service of process only if control of the defense continued after the plaintiff has named the

privy as a formal defendant. This purported distinction is impractical as well as irrational and should not be adopted.

The lower federal courts have uniformly applied the rule of law which Petitioners here seek to overturn. Long before the decision of *Merriam v. Saalfield*, the rule had been recognized in *Bidwell et al. v. Toledo Consol. St. Ry. Co.*, 72 Fed. 10 (C.C. N. D. Ohio, W.D. 1896) and *Parsons Non-Skid Co., Limited et al. v. E. J. Willis Co.*, 176 Fed. 176 (C.C. S.D.N.Y., 1909). In the latter case the Court said:

"The motion to make the Wittaker Chain Tread Company a party defendant must be denied. This is a Massachusetts corporation, without any place of business in the Southern district of New York. It could not originally have been joined as a defendant in this suit. The reason urged why it should now be brought in is that it has so contributed to the defense that it will be bound by the decree. This may be true. It may be established that this corporation is a privy to the suit and will be privy to the judgment. But I know of no principle upon which a court acquires jurisdiction over persons merely because by reason of their conduct they will be bound by its decrees. And if the court has not now jurisdiction over this foreign corporation it cannot order it to be made a party."

The rule of law announced in these cases so strongly recommends itself that it was frequently applied after *Merriam v. Saalfield* without reference to that decision. Thus *Freeman-Sweet et al. v. Luminous Unit Co.*, 264 Fed. 107 (C.C.A. 7, 1919), which the majority in the Court below regarded as controlling, does not cite the *Merriam* case.* However, the meaning of the *Merriam* case was by

* Neither do the following cases which also apply the rule now challenged by petitioners: *Van Kannel Revolving Door Co. v. Winston Hotel Co.*, 263 Fed. 988 (N.D. Ohio, E.D. 1920); *Radio Corporation of America et al. v. E. J. Edmond & Co., Inc.*, 20 F.2d 929, 932 (S.D. N. Y., 1927).

no means lost on the Courts of Appeals. *S. S. Kresge Co. et al. v. Winget Kickernick Co. et al.*, 96 F.2d 979, 989 (C.C.A. 8, 1939) recognized the Supreme Court decision as dispositivē of the legal question. The following excerpt contains the pertinent facts and the ruling of the Court. (pp. 988, 989):

"The decrees in each of the two infringement actions were directed not only against the defendant therein but also against the La Mode Garment Company, which was not a nominal party in either action. It was made subject to the injunction and to the accounting for profits and for damages.

"Appellant La Mode Garment Company contends that, not being a party to either of those actions, no decree could be entered against it therein. This contention is sound. The relation of the La Mode to each of those actions was, at most, that of an indemnifying manufacturer which assumed the defense for its customer defendant. * * * In order to test the broad issue here, we will assume that the conduct of appellant was such as to make any determination against the defendant in each of these two actions binding upon it. Even so, the force thereof does not go beyond creating an estoppel in subsequent litigation between it and plaintiff concerning the same matters. This is merely to say that in some *subsequent* action the prior adjudication may be set up in estoppel as *res judicata*. **It does not make it a party to the prior suit.** This is directly ruled by *Merriam Co. v. Saalfield*, 241 U.S. 22, 29, 31, 33, 36 S.Ct. 477, 60 L.Ed. 868." (Emphasis in italics not added.)

The right to assume the defense of an action without becoming a formal party thereto has been acknowledged also by the Fourth Circuit in *The Dow Chemical Company v. Metlon Corporation et al.*, 281 F.2d 292, 297 (C.A. 4, 1960).

Respondent has not been able to find other appellate decisions squarely in point. However, rulings on related legal questions indicate that other Courts of Appeals are in agreement with the Fourth, Seventh and Eighth Circuits, *N. O. Nelson Mfg. Co. v. F. E. Meyers & Bro. Co.*, 25 F.2d, 659, 665, 666 (C.C.A. 6, 1928) and *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.*, 116 F.2d 845 (C.C.A. 2, 1941). The question in these cases was whether a judgment or decree in a patent suit may recite that the privy conducted the defense of the action.

The Sixth Circuit held that such recital was proper, not as a finding of fact but merely as a record of fact (25 F.2d 666), while the majority of the Second Circuit ruled that reference to the privy's control of the defense should not be incorporated into judgments (116 F.2d 845). There is no need to discuss the merits of these rulings. The issue passed upon in these two cases is significant in the instant case primarily in that the Courts' discussions would have been entirely moot if the plaintiff in a patent infringement action could make the defending manufacturer a formal defendant merely by naming him in an amendment to the complaint filed before the entry of the judgment.

The majority and the dissenting opinions in *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.*, 116 F.2d 845, are of further interest because they clearly show that some of the most respected judges of the Second Circuit are opposed to the contention here advanced by Petitioners. Thus, Judge Hand (116 F.2d 846), and Judge Clark (116 F.2d 848) cite with apparent approval *G. & C. Merriam Co. v. Saalfield*; *Freeman-Sweet Co. v. Luminous Unit Co.* and *S. S. Kresge Co. v. Winget Kickernick Co.* Judge Clark expressed his full agreement with these cases by saying:

"Why should we not require the privy to be made a formal party, thus avoiding even the remote contingency just mentioned? For the most practical of reasons, to wit, the limitations of federal jurisdiction and venue, as many cases point out, * * *."

The thinking of the Ninth Circuit appears from *Maulsby v. Conzeroy*, 161 F.2d 165, 167 (C.C.A. 9, 1947) which held, in reliance on *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.*, 116 F.2d 845, 846 (C.C.A. 2, 1941), that a plaintiff in a patent infringement suit is not even entitled to learn during the action whether the defense is conducted by anyone other than the named defendant.* Moreover, the Ninth Circuit in *Reinharts Inc. v. Caterpillar Tractor Co.*, 99 F.2d 648, 650 (C.C.A. 9, 1938) in an appeal from an award of costs refused to consider a manufacturer, who had openly and avowedly defended, its customer, "the real party in interest" in the cause.

From the above review of authorities it is clear that the Fourth, Seventh and Eighth Circuits have squarely and consistently upheld the legal rule now questioned and the Second, Sixth and Ninth Circuits have strongly implied approval of that rule.

Petitioners' search to find any directly conflicting holdings has manifestly failed. Entirely misplaced is their reliance on *Esquire, Inc. v. Varga Enterprises, Inc. et al.*, 81 F. Supp. 306, 307 (N.D. Ill., E.D., 1948), affirmed, 185 F.2d 14 (C.A. 7, 1950) and *The University of Illinois Foundation v. Block Drug Co., et al.*, 133 F. Supp., 580 (E. D. Ill., 1955), affirmed, 241 F.2d 6 (C.A. 7, 1957). These cases, as pointed out in the opinion below (R. 14), cannot be regarded "as adjudicating the point here in issue."

* Contra: *Battey et al. v. Paris Beauty Parlors Supply Co. of San Francisco Limited*, 4 F. Supp. 531, 535 (N.D. Cal. S.D., 1933). Cf. *Doherty Research Co. v. Universal Oil Products Co.*, 107 F.2d 548, 549 (C.C.A. 7, 1939).

Also quite inapposite is *Eagle Manuf'g Co. v. Miller et al.*, 41 Fed. 351 (C.C. S.D. Iowa, E.D., 1890) *reversed*, 151 U.S. 186, 14 S.Ct. 310 (1894) because that decision, far from making the privy a formal party to the record, merely recited (at pp. 357, 358) that the manufacturer was estopped under the familiar rule of *Lovejoy v. Murray*.

The relation between *Frank R. Redman, et al., v. Stedman Manufacturing Company*, 181 F.Supp. 5 (M.D. N.C., Greensboro Div., 1960) and the present case is also quite remote. That case did not involve the question of whether a manufacturer, assuming control of the defense of a patent infringement suit against one of its customers, could be made a formal party to the record notwithstanding valid objections to venue and service of process. In the *Redman* case, the question was whether a final judgment enjoining the manufacturer could be enforced. The question was answered affirmatively because of several unique circumstances. In *Redman* a draft judgment containing the injunction had been submitted to the defense attorneys who had not objected thereto (pp. 7, 8). Indeed the defense attorneys submitted a draft judgment providing expressly that the manufacturer was "bound by the Judgment herein." (p. 8). The propriety of enjoining the manufacturer was not questioned until a petition for rehearing was filed in the Court of Appeals. Since all of these factors are absent from the present case, *Redman v. Stedman* is clearly distinguishable.

Petitioners and the dissenting opinion below urge that *Ocean Accident & Guarantee Corporation, Limited, v. Felgemaker et al.*, 143 F.2d 950 (C.C.A. 6, 1944) conflicts with the decision below. Respondent submits that the Sixth Circuit decision does not support Petitioners' contention because it arose in a very dissimilar factual and statutory context. *Ocean Accident & Guarantee Corporation v.*

Felgemaker were damage actions arising out of an automobile accident in Ohio. The actions originally instituted in a state court were removed to the federal district court. The defendant's insurance company pursuant to its policy assumed the defense of the actions, but it was not named or treated as a party to the litigation. After the plaintiffs had won judgments against the insured, they sought satisfaction from the insurance company. They were entitled to proceed directly against the insurer under Section 9510-4 of the General Code of Ohio* and also under a clause of the insurance contract which provided:

“The Exchange, after rendition of final judgment against the Insured, shall be liable to the person entitled to recover for such death or for any such injury to the person or property when caused by the Insured, in the same manner and to the same extent that said Exchange is liable to the Insured.” (143 F.2d 951).

* “Upon the recovery of a final judgment against any firm, person or corporation by any person, including administrators and executors, for loss or damage on account of bodily injury or death, for loss or damage to tangible or intangible property of any person, firm, or corporation, for loss or damage on account of loss or damage to tangible or intangible property of any person, firm, or corporation, for loss or damage to a person on account of bodily injury to his wife, minor child or children if the defendant in such action was insured against loss or damage at the time when the rights of action arose, the judgment creditor or his successor in interest shall be entitled to have the insurance money provided for in the contract of insurance between the insurance company and the defendant applied to the satisfaction of the judgment, and if the judgment is not satisfied within thirty days after the date when it is rendered, the judgment creditor or his successor in interest, to reach and apply the insurance money to the satisfaction of the judgment, may file in the action in which said judgment was rendered, a supplemental petition wherein the insurer is made new party defendant in said action, and whereon service of summons upon the insurer shall be made and returned as in the commencement of an action at law. Thereafter the action shall proceed as to the insurer as in an original action at law.” (Page's Ohio General Code Annotated, Volume Six, 1938.)

In order to collect from the insurer the plaintiffs filed supplemental and amended complaints naming the insurer, but did not make proper service of summons on the latter. The insurance company admitted "it had no defense outside of the jurisdictional question," (143 F.2d 952). The reports do not disclose that the insurance company objected specifically to venue in Ohio, or that the facts would have justified such an objection. All plaintiffs apparently resided in Ohio. The question seems to have been whether the Court had acquired jurisdiction over the person of the insurance company without proper service of summons. In holding the insurance company as a party to the action on the judgment, the District Court and the Court of Appeals relied largely on Ohio and other state precedents (47 F.Supp. 662, 143 F.2d 952, 953). Indeed the District Court said that its holding was based on "the present state of the law of Ohio" (47 F.Supp. 662).

The present case is for *patent infringement* which, in contrast to automobile accident cases, is a matter entirely free from the provisions of state law. Allbright-Nell is not a commercial insurer but a manufacturer who, as a necessary incident to its sales, has given patent indemnity to its customers. Respondent's indemnity contract with Defendant Peter Eckrich does not provide for direct liability of the indemnitor to the patent owners. Judgment of validity and infringement has not as yet been obtained against Peter Eckrich. If Allbright-Nell were held liable to Petitioners, the amount of recovery would probably be determined in an accounting rather than by an award of a lump sum at the end of the trial.

A most significant difference between the holding of the

Ocean Accident case and the ruling here sought by Petitioners lies in the fact that final judgment had been rendered against the insured, before the direct action statute of Ohio was applied against the insurer.

That the rendition of a final judgment against the insured is regarded as an indispensable requirement to an action against the insurer is clear from Section 9510-4 General Code of Ohio, as well as from pertinent cases. In *Maryland Casualty Co. v. Pacific Coal & Oil Co., et al.*, 111 F.2d 214, 215 (C.C.A. 6, 1940), this element was called one of the "jurisdictional prerequisites." To the same effect is *Builders & Mfrs. Mut. Casualty Co. v. Preferred Automobile Ins. Co.*, 118 F.2d 118, 121 (C.C.A. 6, 1941).

IV. The Rule Applied Below Is Sound And Should Not Be Altered.

The preceding analysis of prior cases shows that the decision below merely adheres to a legal doctrine which has been universally followed in federal question cases. Such a well established rule should be preserved, unless cogent reasons require its reversal. The statutory venue requirements in patent infringement cases* are clear and specific, *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957). This Court has also recognized in *Olberding et. al. v. Illinois Cent. R. Co., Inc.*, 346 U.S. 338, 340, 74 S.Ct. 83, 84 (1953) that:

"The requirement of venue is specific and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal' construction."

* 28 USC 1400(b).

As pointed out above (pp. 4-6) the present law which permits the manufacturer to control the defense of an infringement suit without becoming a formal party thereto protects the manufacturer's reasonable interests and expectations. It allows for adjustments in the parties' relationships. The hard and fast rule advocated by Petitioners disregards complex and changeable realities. Its adoption would leave the manufacturer a choice between only two onerous alternatives: He could appear as a defendant of record, assuming *irrevocably* all the burdens incidental to litigation in an improper and inconvenient forum, or he could leave his customer unprotected and thus risk the collapse of his entire business. The rule applied by the Court below is preferable because it allows the manufacturer to take an intermediate position which fully protects the reasonable interests of everyone concerned.

The assertion that Allbright-Nell's "position is not just" and "puts form before substance" (Petitioners' Brief, p. 5) is, of course, no substitute for legal analysis and reasons. Nor does the invocation of the waiver doctrine explain why Petitioners' contention should be accepted. Since the waiver label as applied to the present case does not connote actual consent, it serves only to restate rather than support the result urged by Petitioners.

The adoption of the rule advanced by Petitioners would, in practice, deprive most manufacturers of the venue privilege which Congress has seen fit to embody in 28 USC 1400(b). It would further encourage "forum shopping" in patent cases which is already excessive.

CONCLUSION

For all the above reasons the decision below should be affirmed.

Respectfully submitted,

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SUPREME COURT OF THE UNITED STATES

No. 219.—OCTOBER TERM, 1960.

Carl Schnell, et al., Petitioners. } On Writ of Certiorari
v. } to the United States
Peter Eckrich & Sons, Inc., et al. } Court of Appeals for
the Seventh Circuit.

[February 20, 1961.]

MR. JUSTICE CLARK delivered the opinion of the Court.

The sole issue in this patent infringement suit, filed in the Northern District of Indiana, is whether as a matter of law respondent Allbright-Nell Co., an Illinois manufacturer, by openly assuming and controlling in this action the defense of its customer, respondent Peter Eckrich & Sons, Inc., of Indiana, subjected itself to the jurisdiction of that court and waived the statutory venue requirements of 28 U. S. C. § 1400 (b).¹ The motion of Allbright-Nell to dismiss as to it because venue in the Northern District of Indiana was improper was sustained without opinion. The Court of Appeals affirmed, 279 F. 2d 594.² We granted certiorari, 364 U. S. 813. We affirm the judgment.

Allbright-Nell manufactured the alleged infringing device, a machine for cutting sausage meat, known as the "ANCO Emulsitator." It sold some of the devices to Eckrich, whose principal place of business was at Fort

¹ 28 U. S. C. § 1400 (b):

"Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

² The appeal was allowed under 28 U. S. C. § 1292 (b) on the certificate of the District Court that the order dismissing Allbright-Nell involved a controlling question of law and that immediate appeal would materially advance the termination of the litigation.

Wayne, Indiana. In the contract of sale, Allbright-Nell agreed to defend any infringement suits which might be filed against Eckrich involving the device and to bear all of the expense thereof, including any recovery. While it was using the machines, petitioners sued Eckrich in Indiana for infringement.³ Pursuant to its contract, Allbright-Nell employed attorneys who defended the suit in the name of Eckrich. Thereafter, before any judgment was entered, petitioners amended their complaint, naming Allbright-Nell as a party defendant. Service was made upon Allbright-Nell by serving its president in Illinois. Motions to quash (on the ground that such service was made outside of the jurisdiction of the court) and to dismiss (on the ground that venue under § 1400 (b) was improper) were promptly filed. The petitioners admit that this service conferred no jurisdiction on the court and also concede that Allbright-Nell had no place of business in Indiana and, therefore, under § 1400 (b), venue as to it could not lie in Indiana. However, they urge that the presence of Allbright-Nell through the attorneys, openly defending and controlling the suit against Eckrich, gave the court jurisdiction over the former.⁴ In effect, petitioners argue Allbright-Nell was in fact before the court protecting its own interests, was acting only as a "puppeteer" of Eckrich, and was seeking all the benefits of litigation but attempting to avoid all of its responsibilities, save the ultimate application of *res judicata*. It, therefore, should be deemed to have entered a general

³ Subsequently, a second suit involving a different patent was filed in the same court, naming each of the respondents here as defendants. The court entered similar orders in it, and the cases were consolidated on appeal.

⁴ It is conceded that Allbright-Nell, by openly controlling the defense of this suit, in which it has an interest, will be bound by the final judgment and precluded by *res judicata*, from relitigating the same issues. *Souffront v. La Compagnie Des Sucreries De Porto Rico*, 217 U. S. 475; *Lovejoy v. Murray*, 3 Wall. 1.

appearance and waived its objection to venue. In the face of § 1400 (b), however, we think not.

While objection to venue "may be lost by failure to assert it seasonably, by formal submission in a cause, or by submission through conduct. . . . courts affix to conduct [such] consequences as to place of suit consistent with the policy behind" the applicable venue statute. *Neirbo Co. v. Bethlehem Corp.*, 308 U. S. 165, 168. As is pointed out in the cases, Congress adopted the predecessor to § 1400 (b) as a special venue statute in patent infringement actions to eliminate the "abuses engendered" by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served. *Stonite Co. v. Melvin Lloyd Co.*, 315 U. S. 561. The Act was designed "to define the exact jurisdiction of the . . . courts in these matters," at p. 565, n. 5, and not to "dove-tail with the general [venue] provisions." *Id.*, 566. As late as 1957 we have held § 1400 (b) to be "the sole and exclusive provision controlling venue in patent infringement actions." *Fourco Glass Co. v. Trans-mirra Products Corp.*, 353 U. S. 222, 229 (1957). The language of this special statute is clear and specific. The practice complained of here was not at all unusual at the time of this statute's passage,⁵ and for us to enlarge upon the mandate of the Congress as to venue in such patent actions would be an intrusion into the legislative field.

In fact, the petitioners would have us do now what this Court specifically refused to do 45 years ago in *Merriam Co. v. Saalfield*, 241 U. S. 22 (1916). There the entire defense of the named defendant (Saalfield) was openly financed and controlled by one Ogilvie, as to whom

⁵ Some 30 years prior to that time this Court had occasion to pass on the effect of such conduct with relation to *res judicata* in *Lovejoy v. Murray*, 3 Wall. 1, 19 (1865), which held that one who controlled the defense in a suit was precluded from relitigating in a second action the issues adjudicated in the first.

venue was improper; Merriam sought by supplemental bill to make Ogilvie, a defendant before a final judgment was rendered, but after the issue of unfair competition had been decided; and Ogilvie would have been bound by the final judgment under *res judicata*. Nevertheless, his reasonable motion to quash the substituted service had upon the attorneys defending Saalfield was sustained. We believe the holding in *Merriam* completely supports our conclusion here. If a general appearance could be found in such conduct, the facts there were stronger for the proceedings against Saalfield, handled entirely by Ogilvie, had progressed to the appointment of a master to determine the amount of damages. All that remained when it was sought to join Ogilvie was an accounting. Yet a unanimous Court sustained the dismissal, saying:

"If the decree [of injunction and accounting] . . . was not final as between appellant [Merriam Co.] and Saalfield, it cannot be *res judicata* as against Ogilvie; and thus the fundamental ground for proceeding against the latter by . . . substituted service of process disappears. This sufficiently shows the weakness of appellant's position, which, upon analysis, is found to be this: that upon the theory that Ogilvie would be estopped by a final decree if and when made, it sought to bring him into the suit, before final decree, as if he were already estopped. However convenient this might be to a complainant in appellant's position, it is inconsistent with elementary principles." At pp. 28-29.

Petitioners stress that here the conduct of Allbright-Nell continued *after* it was named a party. We are not persuaded that this has any bearing upon the issue to be decided. The conduct which will amount to a waiver of venue is that of the defendant alone and nothing a plaintiff might do can change the legal consequences which

attach to that conduct. Cf. *Olberding v. Illinois Central R. Co.*, 346 U. S. 338. Certainly the point in time at which petitioners sought to join Allbright-Nell will control the amount of its total activities which will be considered in determining whether venue has been waived but this cannot alter the conclusions to be drawn from that conduct. Therefore, whether Allbright-Nell's actions took place before or after being named a party is immaterial to the question of waiver under the special venue provisions of § 1400 (b).

Petitioners insist that this result exalts form over substance. We think not. "The requirement of venue is specific and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal' construction." *Olberding v. Illinois Central R. Co.*, *supra*, at 340.

Affirmed.